

Audit Progress Report

North Tyneside Council



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September 2017



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Audit progress

Our Audit Completion Report for 2016/17 is a separate item on the agenda, giving a full update on progress in delivering our audit responsibilities.

In the coming quarter, we will carry out our work on various claims and returns, including the Housing Benefits subsidy return.

Finally, the next section of this progress report details the annual quality assessment of Mazars by the regulator which is relevant to the terms of reference of the Audit Committee.

National publications and other updates

National publications and other updates

1. Report of the Comptroller and Auditor General: Whole of Government Accounts 2015-16, National Audit Office, July 2017
2. Progress in setting up combined authorities, National Audit Office, July 2017
3. Mazars Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017
4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. Report of the Comptroller and Auditor General: Whole of Government Accounts 2015-16, National Audit Office, July 2017

The WGA provides the most complete and accurate picture of the financial performance and position of the UK public sector in 2015-16.

The WGA shows that government borrowing grew by £86.1 billion in 2015-16 and an increase in tax revenues did not offset the increase in government expenditure. Total expenditure increased from £811.9 billion in 2014-15 to £937.7 billion in 2015-16 due to an increase of £126 billion because of a change in the rate used to value future liabilities, an increase in pension scheme costs of £6.7 billion, and an increase in social security costs of £4.8 billion. Wages and salaries remained relatively stable at £149.6 billion compared with £148.5 billion in 2014-15, despite an increase in full-time equivalent staff of 27,656. However, revenues from income tax, corporation tax and national insurance contributions only grew by £34 billion to £693.9 billion which was not enough to offset the rise in expenditure.

While the Comptroller and Auditor General has continued to qualify his opinion on the accounts, the report highlights that HM Treasury has made significant progress in improving the accuracy of the financial statements.

<https://www.nao.org.uk/report/report-of-the-comptroller-and-auditor-general-whole-of-government-accounts-2015-16/>

2. Progress in setting up combined authorities, National Audit Office, July 2017

The report concludes that for combined authorities to deliver real progress and not just be another 'curiosity of history' like other regional structures before them, they will need to demonstrate that they can both drive economic growth and also contribute to public sector reform. Key points from the report are summarised below.

- There is a logic to establishing strategic bodies designed to function across conurbations and sub-regional areas, and there is a clear purpose to establishing combined authorities especially in metropolitan areas, as economies and transport networks operate at a scale greater than individual local authority areas.

- The introduction of combined authorities, however, has meant that inherently complex structures have been added to England's already complicated local government arrangements, according to today's report from the National Audit Office.
- The evidence that investment, decision-making and oversight at this sub national level is linked to improved local economic outcomes is mixed and inconclusive.
- A number of authorities have been unable to bring local authorities together to establish combined authorities, while areas with a long history of working together have often found it most straightforward to establish combined authorities.
- The capacity of most combined authorities is currently limited and the lack of geographical coherence between most combined authorities and other providers of public services could make it more problematic to devolve more public services in the future.

<https://www.nao.org.uk/report/progress-in-setting-up-combined-authorities/>

3. Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2016/17 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work. The review included assessing compliance with the HB COUNT guidance;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2015/16 work.

The report concludes the following in respect of Mazars LLP:

“Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2016/17, Mazars' combined audit quality and regulatory compliance rating was green. The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor. Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/17 indicators scored as green”.

4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest monitoring report highlights full compliance with the PSAA's contractual requirements for Mazars.

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

Contact details

Please let us know if you would like further information on any items in this report.

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