

# Audit Progress Report

Stockton-on-Tees Borough Council



**Stockton-on-Tees**  
BOROUGH COUNCIL

June 2017



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# Audit progress

## **Purpose of this report**

The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

## **Progress on the audit**

Since the committee last met, we have:

- had ongoing liaison with the finance team in respect of planning for the 2016/17 final audit visit;
- continued to update our accounts and VFM planning in readiness for our year end on site audit, such as completion of our IT risk assessment, and ongoing review of agendas/minutes;

- undertaken some early work on aspects of the 2016/17 financial statements, including sample testing of income and expenditure, largely to try and reduce the impact on the finance team in the period of the final audit visit; and
- started our final audit visit, starting our audit of the financial statements in early June. We are aiming for our audit to be substantially complete by the end of July, in line with the new timetable that will be introduced for 2017/18.

Our audit work is on track for this time of year, and we have no matters to raise with the Committee at this stage of our audit. There are no changes to the significant risks we identified in our 2016/17 Audit Strategy Memorandum presented to the February meeting.

Appendix 1 provides a summary of progress for our 2016/17 audit.

## **Certification of claims and returns**

As members will be aware, the Council is required by funding bodies to arrange independent certification of a range of grant claims and returns.

We have not undertaken any work on claims and returns since our last progress report, and as such there are no matters to report in this progress report.

# National publications and other updates

## National publications and other updates

1. Integrating health and social care, Public Accounts Committee, April 2017
2. Financial sustainability of schools, National Audit Office, December 2016
3. Capital funding for schools, National Audit Office, February 2017
4. Planning for 100% local retention of business rates, National Audit Office, March 2017
5. 2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017
6. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd
7. Questions an Audit Committee could ask relating to the Annual Report and Accounts, National Audit Office, March 2017

### **1. Integrating health and social care, Public Accounts Committee, April 2017**

Further to a National Audit Report on the Better Care Fund and various PAC hearings, the Public Accounts Committee published a report on integrating health and social care.

The conclusions and recommendations are summarised below.

- The Departments do not know what is the most effective balance of limited funding across health and social care. The Department and NHS England should assess the impact that financial pressure in social care is having on the NHS, so that it can better understand the nature of the problem and how it can be managed.
- The Departments and NHS England should reassess whether the Better Care Fund in its current form is still necessary and should identify what has worked well so this can be brought into sustainability and transformation planning.
- NHS England and the Local Government Association should encourage and support the full involvement of local government in the sustainability and transformation planning process. Working with their local authority partners, local health bodies should improve the involvement of local populations in the planning process.
- The Departments, NHS England and the Local Government Association must take responsibility for the performance of their programmes, including the Better Care Fund while it continues. We expect greater accountability and more realistic objectives, which the Departments and partners will stand by.

<https://www.publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/959/95902.htm>

## **2. Financial sustainability of schools, National Audit Office, December 2016**

The Department of Education's approach to managing the risks to schools' financial sustainability cannot be judged to be effective or providing value for money until more progress is made, according to the National Audit Office. The Department estimates that mainstream schools will have to find savings of £3.0 billion (8.0%) by 2019-20 to counteract cumulative cost pressures, such as pay rises and higher employer contributions to national insurance and the teachers' pension scheme. It expects that schools will need to make efficiency savings through better procurement (estimated savings of £1.3 billion) and by using their staff more efficiently (the balance of £1.7 billion).

However, the Department has not clearly communicated to schools the scale and pace of the savings required. While it can show, on the basis of benchmarking analysis, that schools should be able to achieve such savings without affecting educational outcomes, it does not know whether schools will achieve them in practice.

<https://www.nao.org.uk/report/financial-sustainability-in-schools/>

## **3. Capital funding for schools, National Audit Office, February 2017**

The Department for Education, working with local authorities and schools, has created a large number of new school places and is making progress in improving schools in the worst condition, but significant challenges remain, according to the National Audit Office.

Between 2010 and 2015, the Department and local authorities created 599,000 new school places at a cost of £7.5 billion, mostly in good or outstanding schools, enabling them to meet the growing demand for places. The Department has also improved how it estimates the need for school places, collecting more localised forecasts of pupil numbers, and allocates money more closely according to need.

According to the NAO, the expected deterioration in the condition of the school estate is a significant risk to long-term value for money. Responsibility for maintaining the condition of school buildings is devolved to schools, multi-academy trusts and local authorities. The Department's property data survey estimates it would cost £6.7 billion to return all school buildings to satisfactory or better condition, and a further £7.1 billion to bring parts of school buildings from satisfactory to good condition. The most common major defects are problems with electrics and external walls.

While the Department cannot yet assess reliably how the condition of the school estate is changing over time, it estimates that the cost of dealing with major defects in the estate will double between 2015-16 and 2020-21, even with current levels of funding, as many buildings near the end of their useful lives. Much of the school estate is over 40 years old, with 60% built before 1976.

<https://www.nao.org.uk/report/capital-funding-for-schools/>

## **4. Planning for 100% local retention of business rates, National Audit Office, March 2017**

The Department for Communities and Local Government has made progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives, according to the National Audit Office.

By allowing local authorities to retain 100% of business rates, the Department hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. The Department needs to understand the link between business rates and economic growth to ensure that the scheme is configured to maximise economic growth rather than just growth in the tax base.

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

**5. 2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017**

PSAA has published the work programme and scales of fees for 2017/18 audits of principal local government and police bodies. There are no changes to the overall work programme for 2017/18. Scale fees for 2017/18 have therefore been set at the same level as the fees applicable for 2016/17. This is the final year for which PSSA will set fees under the transitional arrangements made by DCLG.

<http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

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

The latest 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

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

**7. Questions an Audit Committee could ask relating to the Annual Report and Accounts, National Audit Office, March 2017**

This note is designed to assist Audit committees in their review of the Annual Report and Accounts of their organisation. It provides a series of questions that the Committee could ask during their review to assist them in both ensuring the completeness, accuracy and balance of the information provided in the Annual Report and Accounts and in understanding the key issues and providing suitable challenge in order to gain the assurance they require before recommending the Annual Report and Accounts for signature by the Accounting Officer.

[https://www.nao.org.uk/search/type/report/pi\\_area/support-to-audit-committees/](https://www.nao.org.uk/search/type/report/pi_area/support-to-audit-committees/)

# Appendix 1 – Position statement of 2016/17 audit

Planned output	Expected completion date	Draft report issued to management	Final report issued to management	Final report presented to Audit Committee	Comments
2016/17 Audit Fee Letter	April 2016	N/A	April 2016	N/A	~
Audit Committee Progress Report and Briefing	N/A	N/A	N/A	N/A	To each and every meeting.
2016/17 Audit Strategy Memorandum	February 2017	February 2017	February 2017	20 February 2017	~
2016/17 Audit Completion Report, incorporating: <ul style="list-style-type: none"> <li>Opinion on the financial statements; and</li> <li>VFM Conclusion.</li> </ul>	August 2017				
2016/17 Annual Audit Letter	September 2017				
2016/17 Grants Certification Report	February 2018				

# Contact details

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

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