

Audit progress report

Durham County Council

November 2020



CONTENTS

1. Progress Update

2. National publications

This document is to be regarded as confidential to Durham County Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

The audit opinions on the 2019/20 financial statements for Durham County Council and Durham County Council Pension Fund were signed on the 30 October 2020.

We were unable to conclude our audit work and sign the audit certificate as our audit work on Whole of Government Accounts (WGA) was not completed as at 31 October 2020 because there was a delay in issuing group instructions from the National Audit Office (NAO). These instructions were issued in early November 2020. Once this work is complete we will issue the audit certificate.

We will present our Annual Audit Letter to the next Audit Committee meeting.

2. NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to the Council, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

	Publication/update	Key points
Ministry of Housing, Communities and Local Government (MHCLG)		
-	Covid-19 resources	https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government Link to MHCLG Covid-19 resources.
National Audit Office (NAO)		
-	NAO Covid-19 hub	https://www.nao.org.uk/covid-19/ Hub set-up by the NAO to collate all their Covid-19 work, including planned publications.
1.	Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19	Sets out some questions to help audit and risk committee members understand and challenge activities.
2.	Overview of the UK government's response to the COVID-19 pandemic	First of a programme of work to be undertaken by the National Audit Office to support Parliament in its scrutiny of the UK government's response.
3.	Code of Audit Practice	New Code governing work of auditors, applying for 2020/21 audit years onwards.
4.	Universal Credit: getting to first payment	The Department needs to better understand and address the needs of vulnerable people and those with more complex claims, who may be at greater risk of struggling under the Universal Credit regime.
Local Government Association (LGA)		
5.	Councillor resources	Guidance to support Councillors in supporting their wards; being updated on a regular basis.
Financial Reporting Council and other regulators		
6.	Statement in respect of current situation	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.

2. NATIONAL PUBLICATIONS

1. Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19, National Audit Office, June 2020

The National Audit Office's (NAO) guide sets out that audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.

Scope

This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide the NAO has set out some questions to help audit and risk committee members understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

2. Overview of the UK government's response to the COVID-19 pandemic, National Audit Office, May 2020

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19. The UK government is implementing an extensive range of measures in response to the COVID-19 pandemic. This report presents a factual summary of:

- the background;
- government activity and costs; and
- the NAO's approach to examining the UK government's response.

The report provides a summary of the government's actions to date. It does not assess the value for money of the measures adopted by government or the effectiveness of its response. The report covers the main actions taken by the UK government in England, as well as the funding provided to support responses in the devolved administrations of Northern Ireland, Scotland and Wales. It does not cover the individual responses in the devolved administrations, or the separate responses implemented by local authorities. The report covers the government's response up to 4 May 2020, and also includes any significant additional commitments (defined as those over £0.5 billion) the government announced between 4 and 15 May.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

2. NATIONAL PUBLICATIONS

3. Code of Audit Practice, National Audit Office, April 2020

Local public bodies are audited by firms appointed as local auditors. Every year, they carry out their work auditing these bodies' accounts and assessing the adequacy of their arrangements to secure value for money. They carry out this work in accordance with the Code of Audit Practice which is set by the National Audit Office.

The Code, which came into effect in April 2020 sets out what local auditors of relevant local public bodies, such as councils, police, fire and NHS bodies, are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014.

The new Code will apply to audits of local bodies' 2020/21 financial statements.

Key changes to the Code include the introduction of a narrative-style commentary on bodies' arrangements for securing value for taxpayers, a sharper focus on arrangements supporting financial sustainability, governance, and improving value for money, and clearer expectations on timely and effective auditor reporting.

The final draft maintains the principles-based approach through a single Code covering both local government and NHS sectors.

Link to NAO blog post on the new Code: <https://www.nao.org.uk/naoblog/the-new-code-of-audit-practice-helping-local-public-services-rise-to-the-extraordinary-challenges-ahead/>

Link to the new Code: <https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

4. Universal Credit: getting to first payment, National Audit Office, July 2020

Many people claim Universal Credit at a challenging time in their lives. As such, the initial wait, which is an inherent part of Universal Credit's design and operational processes, does not cause all the issues that claimants may face but, in the context of many claimants' existing financial difficulties, can exacerbate their problems.

Since the National Audit Office (NAO) last reported, the Department has improved the proportion of people getting their first Universal Credit payment on time and in full to around 90%. It deserves credit for its organised approach to making changes and its improved performance. Although the cost of administering each claim is still higher than expected, the Department has demonstrated an ability to gradually make Universal Credit claims more cost-efficient by automating and improving processes. It needs to demonstrate a similar determination to tackle the high levels of fraud and error.

The Department has succeeded in improving payment timeliness so far by improving processes that affect large numbers of people. However, as the Universal Credit caseload has grown, a large number of people still do not receive their full payment on time. Vulnerable people may be particularly likely to struggle with their claim. The Department needs to better understand and address the needs of vulnerable people and those with more complex claims, who may be at greater risk of struggling under the Universal Credit regime.

<https://www.nao.org.uk/report/universal-credit-getting-to-first-payment/>

2. NATIONAL PUBLICATIONS

5. Councillor resources, Local Government Association, on-going

The Local Government Association (LGA), has issued a number of publications including 'Covid-19 reset and recovery'.

<https://www.local.gov.uk/our-support/coronavirus-information-councils/covid-19-support-your-role/covid-19-councillor>

6. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly. Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>