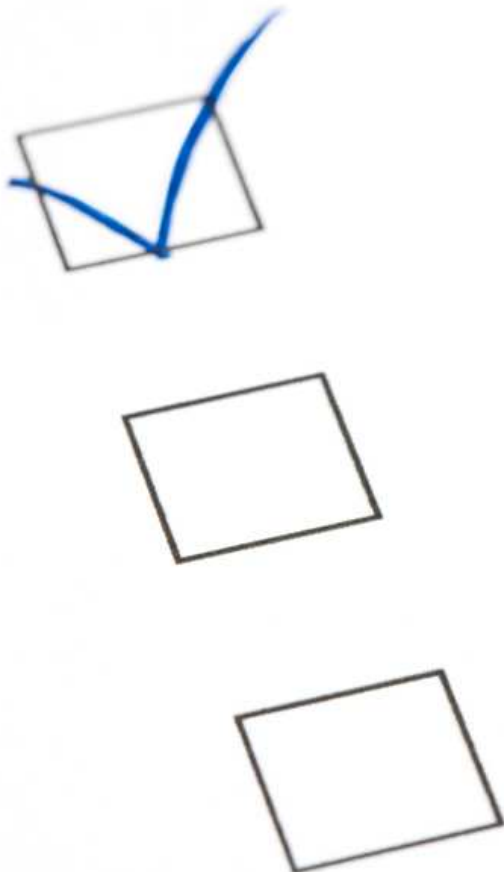


Durham County Council



Audit Progress Report

February 2014



Contents

- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

01



Purpose of this paper

The purpose of this paper is to update the Audit Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

If you need any additional information please contact Cameron Waddell or Catherine Banks using the contact details at the end of this update.

02

Summary of audit progress



We are planning the 2013/14 audit and expect to issue our Audit Strategy Memorandum in March.

To date we have:

- Documented, as part of our ISA 315 work, the key financial information systems
- Substantially completed our planning of the 2013/14 audit
- Commenced our IT risk assessment

Our work in the next period includes the following:

- carrying out work to support our Value for Money conclusion;
- early substantive testing.

This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

03

Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments.

Issue / development	Implications
<p>Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting</p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2013. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>Durham County Council met all of the statutory deadlines and received an unqualified audit opinion on 30 September 2013.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/12/commission-highlights-year-on-year-improvement-in-financial-reporting/</p>
<p>Financial Statements: A Good Practice Guide for Local Authorities</p> <p>This CIPFA report acknowledges that "local authority financial statements are complex, and readers can find it difficult to identify the information they need." The report highlights the role that councils can themselves play in de-cluttering the financial statements, and in presenting key information in a clear narrative that makes the statements more accessible.</p>	<p>This publication provides some ideas which could be considered in trying to make the published financial statements more informative and accessible to readers of the accounts.</p>

Emerging issues and developments

Issue / development	Implications
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG</p> <p>This DCLG consultation was wide ranging, but also includes proposals in relation to the Accounts and Audit Regulations. One important consultation question, of wider interest to authorities, is whether the local authority accounts production timetable should be brought forward.</p> <p>The consultation has now closed and we are awaiting the results of the process.</p>	<p>If the accounts timetable is brought forward this would impact on the Council's accounts production processes.</p> <p>The consultation can be found at: http://localaudit.readandcomment.com/</p>
<p>Protecting the Public Purse 2013</p> <p>The Audit Commission published their annual report on fraud in November 2013. The report stated that fraud costs local government over £2 billion a year, money which could be spent on providing services. Local government detected fewer frauds with a lower total value than in 2011/12, except for housing tenancy frauds which have increased. The Commission has now produced briefings for individual authorities based on its research.</p> <p>We will discuss with Internal Audit how best to present these findings and other issues in relation to fraud to a future meeting of the Audit Committee.</p>	<p>The briefing for Durham County Council does not highlight any major issues of concern in respect of the Council's detection of fraud.</p> <p>The national report can be found at http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/</p>
<p>2014/15 Audit scale fees and work programme</p> <p>The Audit Commission is proposing no change to fees and work programmes for 2014/15. This is expected to be confirmed in March 2014, following consultation.</p>	

Emerging issues and developments

Issue / development	Implications
<p>Value for Money Briefings</p> <p>The Audit Commission has issued a briefing, based on information in its profiles tool, on collection rates and cost of collection of business rates. It found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. Despite collecting most business rates in the year they fall due, arrears are substantial and currently stand at £1.2 billion. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. In 2012/13, the uncollected in-year amount was £513 million .</p> <p>In April 2013, the government introduced a business rates retention scheme. Councils will now be able to keep up to half of the business rates income they collect, rather than – as previously – paying it all into a ‘national pool’. Therefore, from 2013/14, a council’s income will be directly affected by the business rates it collects.</p>	<p>These new arrangements mean that it has never been more important for the council to understand their local economy and associated business rates, the timeliness of their collection and outstanding arrears, and whether their approach to collection is cost effective.</p>
<p>Voluntary Code for a self financed housing revenue account</p> <p>CIPFA and the Chartered Institute of Housing have published a voluntary code aimed at helping housing authorities in ensuring effective governance, finance and business planning, providing transparency to tenants, members and officers on how the housing business is being managed and allow housing authorities to assess where they may need further support and assistance. A further CIPFA publication (Housing Finance Under Self Financing) brings together the latest guidance to help those involved in housing understand the new system.</p>	<p>This is a useful tool for the Council to assess its arrangements.</p>

Emerging issues and developments

Issue / development	Implications
<p>Tough Times 2013 – councils’ responses to financial challenges from 2010/11 to 2013/14</p> <p>The latest Audit Commission report on the financial resilience of councils covers the three years from 2010/11, with the backdrop of reductions in central government funding and rising demand for services. The Commission concluded that almost all councils have demonstrated a high level of financial resilience. A small minority have found it hard to cope, and are a concern to auditors. Uncertainty over future funding makes it difficult for councils to plan savings or service changes to fill any gap. Auditors are therefore less confident about the medium term financial prospect of a third of councils. Councils have used a variety of strategies so far, and have valuable learning to share.</p>	<p>The council will need to develop new approaches to service delivery, which rely less on funding from government.</p>
<p>Financing energy projects</p> <p>CIPFA has published guidance on developing and assessing various energy schemes.</p>	
<p>2014/15 provisional finance settlement</p> <p>The government has published its provisional settlement for 2014/15, together with illustrative 2015/16 settlement, for consultation.</p>	<p>The Council can expect further reductions in its grant funding, which will put a further strain on their 2014/15 budget.</p>
<p>Financial Reporting Council Audit Quality Thematic Review: Materiality</p> <p>The FRC reported on its review of auditor’s consideration and application of materiality. The review did not refer to the public sector, however the principles are relevant.</p>	<p>Our Audit Strategy Memorandum will provide details of our assessment of materiality for the Council.</p>

Emerging issues and developments

Other Issue / developments

Open Book Accounting: How to deliver and demonstrate value for money in the public sector

This CIPFA guide explores how open book accounting tools and techniques can provide a platform for successful outsourcing by creating successful business relationships.

Code of practice on transport infrastructure assets

This updates CIPFA's original Code issued in 2010.

Audit Committees: Practical guidance for local authorities and police

This is a fully updated CIPFA guide, taking account of developments in audit committees and legislation since the previous edition.

Service reporting code of practice 2014/15 (SeRCOP)

SeRCOP is prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. It applies to all local authority services throughout the United Kingdom from 1 April 2014 for the preparation of 2014/15 statement of accounts

Financial statements: A good practice guide for local authorities

Local authority financial statements are complex and readers can have difficulty identifying information they need. This CIPFA guide helps to identify issues and identify improvements in the production of accounts.

04

Contact details



Cameron Waddell Director and Engagement Lead
Cameron.Waddell@mazars.co.uk
0191 383 6314

Catherine Banks Senior Manager
Catherine.Banks@mazars.co.uk
0191 383 6410

Address: Rivergreen Centre
 Aykley Heads
 Durham
 DH1 5TS