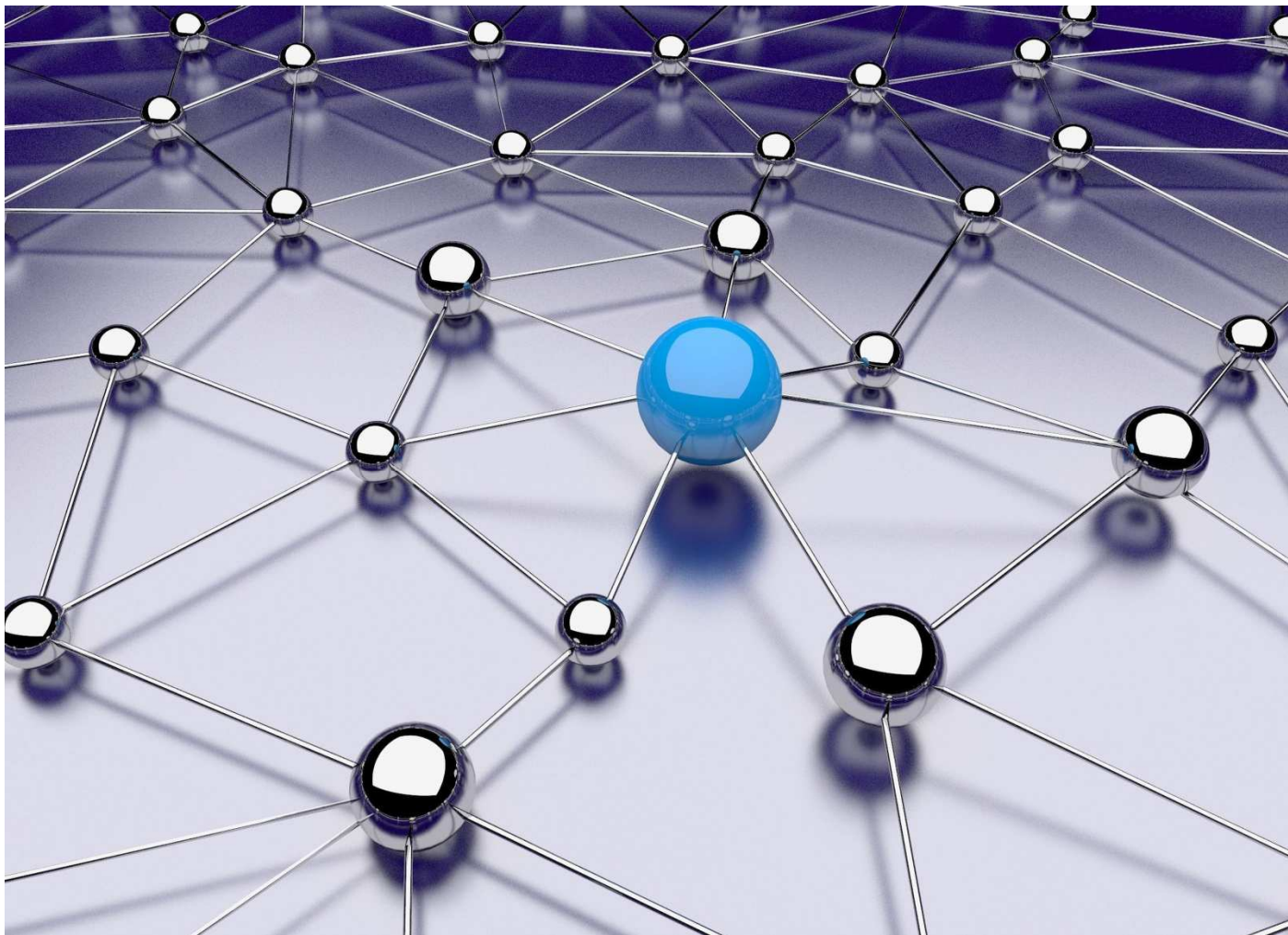


# Durham County Council Audit Progress Report

28 November 2016



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*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01 Introduction

The purpose of this report is to update the Audit Committee of Durham County Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

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.

# 02 Audit progress

## 2015/16 audit

Our Annual Audit Letter, which is included within the agenda for this meeting, summarises the outcome of our external audit of Durham County Council's 2015/16 financial statements, including Durham County Council Pension Fund. We have discussed our Annual Audit Letter with senior management and will be presenting it as a separate agenda item to this meeting. This marks the formal conclusion of our 2015/16 audit and summarises our work and findings as well as outlining future challenges.

We are currently working on the Council's housing benefit subsidy return for 2015/16. The deadline for this is 30 November 2016. The findings of our work will be detailed in our Grants Report which we will present to the next Audit Committee.

## Introduction to 2016/17 audit

The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of accounts. For 2017/18 the deadline for producing accounts will be 31 May (previously 30 June). The deadline for external audit opinions will be 31 July (previously 30 September) and we are told that the Council intends to meet these deadlines in the 2016/17 financial year. This will require significant changes to your year-end close down arrangements and we have had early discussions with officers to clarify the implications and requirements of meeting these earlier deadlines.

We will issue our Audit Strategy Memorandum to the Audit and Governance Committee later in 2016/17 and this will set out the risks we have identified and the programme of work we plan to carry out in response to those risks.

## Changes to the audit team

Independence safeguards require the rotation of audit partners. Mark Kirkham will replace Cameron Waddell as your appointed auditor for 2016/17. Mark is registered with the ICAEW as a Key Audit Partner for Local Audit and has been an external audit engagement lead since 2002.

# 03 National publications and other updates

This section contains updates on the following:

1. **Regularity, Compliance and Quality Report 2015-16, PSAA August 2016**
2. **Local Public Service Reform, NAO, September 2016**
3. **Understanding Local Authorities Financial Statements, CIPFA, September 2016**

## 1. **Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016**

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

Audit quality and regulatory compliance monitoring for 2015/16 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 quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HB COUNT) work;
- 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 the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's 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 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded '*green*' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

## 2016 Comparative performance for audit quality and regulatory compliance

<b>BDO</b> Green	<b>Deloitte</b> Green	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
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## 2015 Comparative performance for audit quality and regulatory compliance

<b>BDO</b> Amber	<b>Deloitte</b> Amber	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
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Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report has been attached to this report for the information of the Audit and Governance Committee, and can also be found at: <http://www.psa.co.uk/audit-quality/>

## 2. Local Public Service Reform, NAO, September 2016

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- redesigns services to meet people's needs in a more integrated and effective way.

The report is available on their website.

<https://www.nao.org.uk/report/local-public-service-reform/>

## 3. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local (including fire) authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

# 04 Contact details

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

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