

## **Audit Committee**

**29 June 2018**



## **External Audit - Progress Report – June 2018**

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### **Report of the External Auditor**

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#### **Purpose of the Report**

1. This report requests that the Committee note the external auditor's progress report on the external audit of Durham County Council to date.

#### **Background**

2. The report sets out an update of the work completed by Mazars in respect of the following: -
  - Summary of Audit Progress; and
  - National Publications and other updates

#### **Emerging Issues and Developments**

3. This section provides an update on other areas that members of the Committee may find useful.

#### **Recommendation**

4. The Committee is requested to note the contents of the external auditor's progress report.

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## **Appendix 1: Implications**

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### **Finance**

No direct implications as a result of this report.

### **Staffing**

None

### **Risk**

None

### **Equality and Diversity/Public Sector Equality Duty**

None

### **Accommodation**

None

### **Crime and disorder**

None.

### **Human rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

None

# Audit Progress Report

Durham County Council

June 2018





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# 1. AUDIT PROGRESS

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

## 2017/18 audit

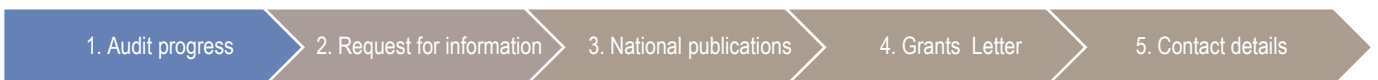
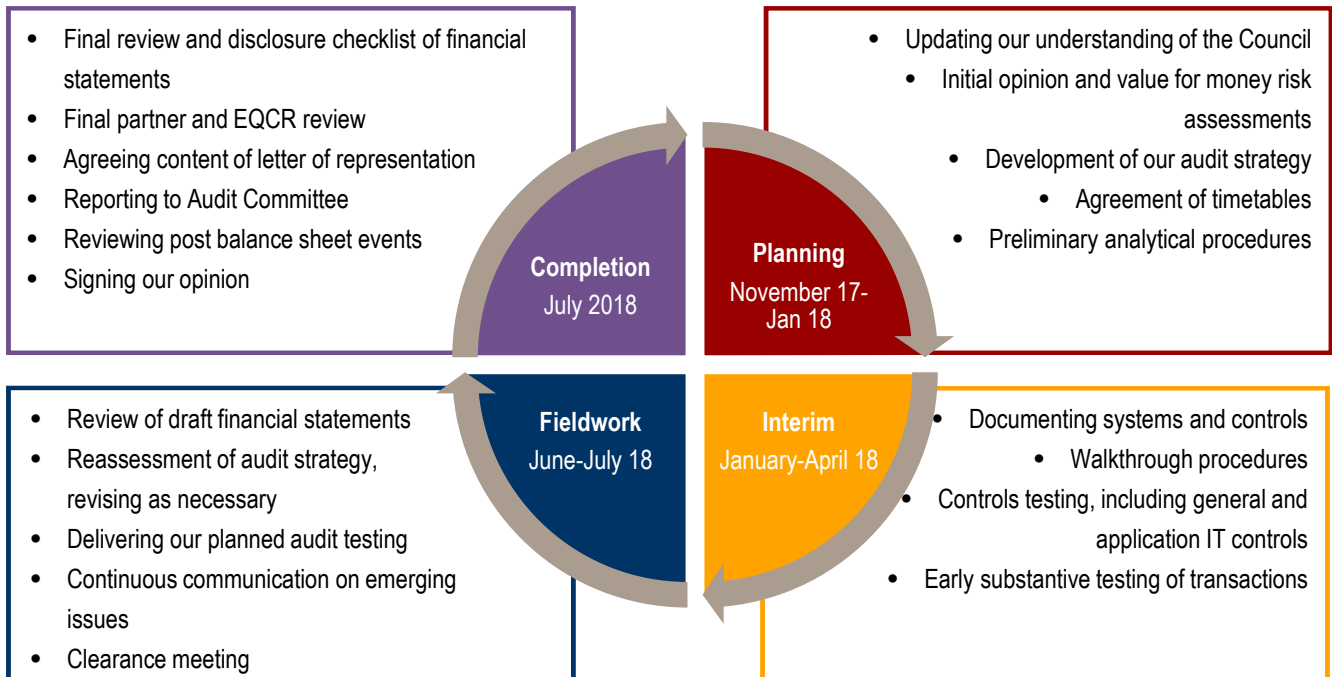
We have completed our 2017/18 planning and interim stages of the audit process. The results of our planning work were detailed in our Audit Strategy Memorandum (ASM) which was reported to the February 2018 Audit Committee meeting. There have been no significant changes to our planned approach. We do however note a minor error in section 3 of the report. Specifically the table disclosing management and auditor experts. Per the reported ASM:

Items of account	Management's expert	Our expert
Financial instrument disclosures	Link Asset Services (formerly Capita)	Link Asset Services (assurance commissioned by the NAO)

The table should have been:

Items of account	Management's expert	Our expert
Financial instrument disclosures	Link Asset Services (formerly Capita)	Consideration of Assurance provided by the NAO

We are currently in the fieldwork stage of our audit process. Our Audit Completion Report will be presented to the Audit Committee in July and will detail the findings of our work.



# 1. AUDIT PROGRESS (CONTINUED)

## 2017/18 housing benefit work

2017/18 is the final year that Housing benefits work will be delivered under our contract with Public Sector Audit Appointments (PSAA) – see below for detail of the new arrangements.

In planning the 2017/18 work we have held initial planning meetings with Benefits Officers and:

- agreed an indicative timetable for delivering this work (August and September); and
- selected a sample for CAKE testing. This work will be completed by Benefits team and be subject to review by us.

The deadline for delivering the 2017/18 work is the end of November. This is in line with the 2016/17 deadline.

## 2018/19 housing benefits work

The current year's housing benefits work is covered by the PSAA contract but from 2018/19, the Council needs to procure its own audit arrangements. DWP have produced draft guidance on the work required and the nature of the future engagement of a reporting accountant to carry out the required housing benefit assurance work. Although this assurance work is not due to be completed until November 2019, DWP require councils to identify their reporting accountant for this work much sooner, by 2 July 2018, following the extension of an earlier deadline of 1 March 2018, as the guidance was not complete.

Mazars have provided a quotation for undertaking this work which the Council has accepted.

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## 2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

	Publication
1	PSAA 2018/19 fee scale consultation, December 2017
2	Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd
3	Local authorities encouraged to consider local public accounts committees, February 2018
4	Adult social care workforce, National Audit Office, February 2018

### 1. PSAA 2018/19 fee scale consultation

The consultation, which closed on 15 January 2018, set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that opted into PSAA's national auditor appointment scheme.

PSAA proposed that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement.

Further information can be found at [www.psa.co.uk](http://www.psa.co.uk)

### 2. PSAA Oversight of audit quality, quarterly compliance reports 2017/18

The latest quarterly 2017/18 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

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

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## 2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

### 3. Local authorities encouraged to consider local public accounts committees, February 2018

Research published by Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University explores how public services, and the decisions made about them by unelected bodies, can be held to account by local government as an elected governing body. Moreover, it seeks to understand the developing and expanding role of local government as both a vehicle for public accountability and in influencing and shaping the governance networks within which it exists.

The report '**Bringing Order to Chaos. How does local government hold to account agencies delivering public services?**' makes a series of recommendations including:

- A Local Public Accounts Committees should be formed by all councils and be given the same statutory powers over external agencies as has health scrutiny in relation to the NHS
- Securing public accountability must be developed as a role for all councillors and not restricted to a functional overview and scrutiny committee process
- Robust accountability processes need to be put in place for all arms-length bodies created by a council. Mechanisms must be put in place whereby all other councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies and scrutiny and full council should be engaged in such a process
- Councils should produce a local 'governance framework' policy document which identifies all those organisations with which the council interacts and which creates a shared vision of the development of public services across the councils area
- Councils should create a 'governance forum' where all those organisations with which the council interacts, can regularly meet to ensure a co-ordinated approach to public service delivery and long-term planning for service development and contribute to the 'governance framework'
- There should be a legal requirement – through an extension of the principle of a 'duty to co-operate' - on all public service providers to engage with local government, at the earliest possible time, when developing policy and taking decisions about public services

The full report is available to download for free.

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/>



## 2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATES

### 4. Adult social care workforce, National Audit Office, February 2018

This report considers the role of the Department of Health and Social Care in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

Local authorities commission most care from the independent (private and voluntary) sector. The report notes that, in 2016-17, net current expenditure by local authorities on care was £14.8 billion. Around 65% of providers' income comes from care arranged by local authorities, so public funding is essential to the sustainability of the sector.

The Care Act 2014 sets out minimum standards of care that local authorities must offer. It places a duty on local authorities to ensure that there is diversity and quality in the market of care providers so that there are enough high-quality services for people to choose from. Local authorities must also step in to ensure that no vulnerable person is left without the care they need if their service closes due to business failure.

The key findings from the report include:

- high staff turnover within the sector, also carrying a high vacancy rate;
- growth in the number of jobs has fallen behind growth in the demand for care;
- providers and commissioners of care have raised concerns that low pay for care workers is contributing to high vacancy and turnover rates. Around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17);
- the Department does not have an up-to-date care workforce strategy and roles and responsibilities of the bodies involved in delivering care are not clear. Local and regional bodies and partnerships are not taking the lead on workforce planning in the absence of a national strategy; and
- the Department cannot demonstrate that the sector is sustainably funded, which makes workforce planning difficult. Four-fifths of local authorities are paying fees to providers which are well below the benchmark costs of care.

The report makes recommendations for the Department of Health and Social Care to address including a requirement to produce a national workforce strategy, long term modelling and planning of costs and staff needed in the care sector. Oversight of local plans is required to confirm that they complement the national strategy.

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

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### 3. CONTACT DETAILS

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

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