

External Audit progress report

North Lincolnshire Council

January 2019





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1. AUDIT PROGRESS

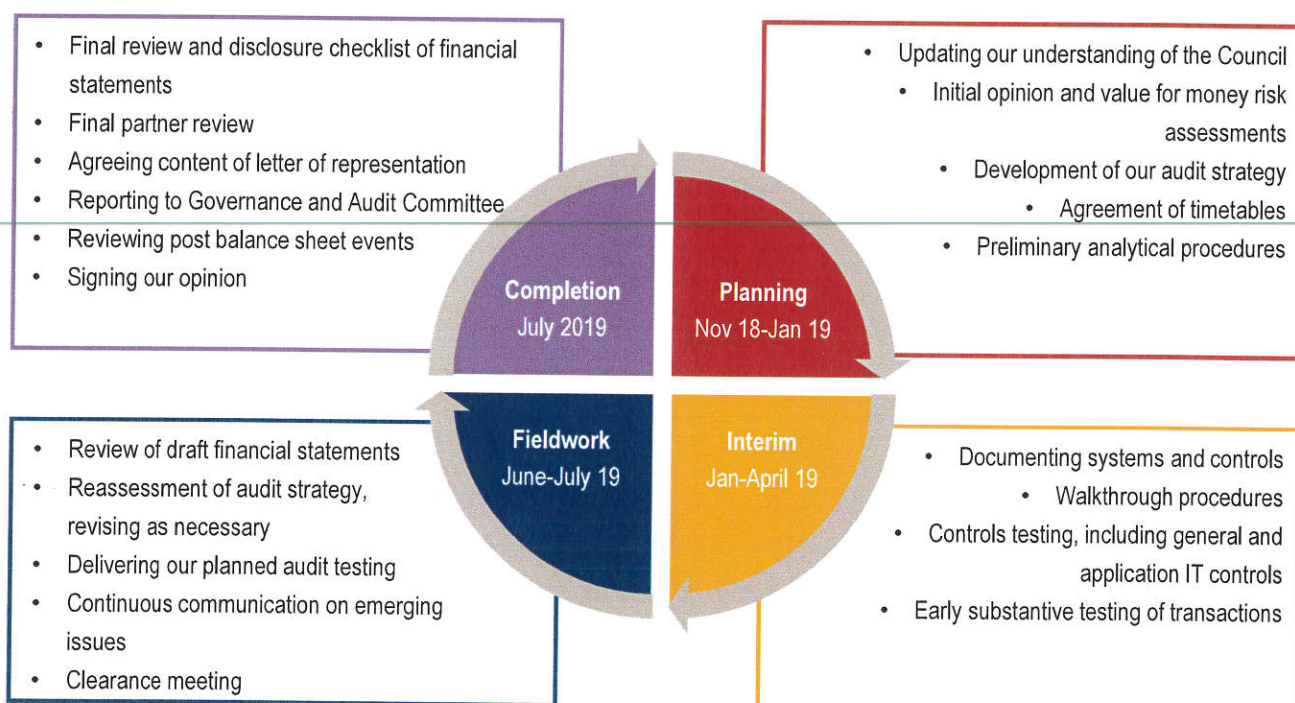
Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor. 2018/19 is the first year of our appointment as auditor for the Council and this is our first audit progress report in respect of the 2018/19 audit year.

Audit progress

Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit Committee for discussion. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

There are no significant matters arising from our work that we are required to report to you at this stage.



Financial Reporting Workshops

Planning of our Local Government Financial Reporting workshops for early in the New Year is well advanced. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2017/18 issues including early close implications, changes in the 2018/19 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 30th January 2019 at our new Leeds Office at Wellington Place and we have invited relevant officers from the Council.

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2. REQUEST FOR INFORMATION

International Auditing Standards require auditors to enquire about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by 31 March 2019. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1. How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Trust, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour; and
- communicating to you the processes for identifying and responding to fraud or error.

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2018/19?

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2018/19?

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5. Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

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2. NATIONAL PUBLICATIONS

Publication / update	
National Audit Office (NAO)	
1.	Departmental overview – Department of Education 2017-18
2.	Adult social care at a glance
3.	Financial sustainability of local authorities 2018 visualisation
Chartered Institute of Public Finance and Accountancy (CIPFA)	
4.	Code of Practice on Local Authority Accounting / supporting guidance notes for practitioners – 2018/19 Accounts
5.	Implementation date for IFRS 16 Leases
Public Sector Audit Appointments	
6.	Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Limited

1. Departmental overview – Department of Education 2017-18, NAO, November 2018

The NAO has published an Overview of the Department of Education which summarises the structure of the Department, how it spends its money, commitments for the future years, key developments including Exiting the European Union and findings from recent NAO reports.

The report also focuses on five areas of importance to the Department which also include findings from NAO reports: academies, teachers, access to higher education and skills development, student loans and oversight and inspection.

<https://www.nao.org.uk/report/departmental-overview-department-for-education-2017-2018/>

2. Adult social care at a glance, NAO, July 2018

This overview updates the report 'Adult social care in England: an overview (2014)', highlighting key trends, developments and system pressures. This report includes a diagram setting out the interaction of local authority and health services amongst others.

Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. The overview summarises access to and also types of adult social care, accountability, developments in the sector since 2014, spending on social care, the needs, outcomes and market for care. The overview also summarises the various reports issued by the NAO on specific programmes and issues relating to adult social care.

<https://www.nao.org.uk/report/adult-social-care-at-a-glance/>

3. Financial sustainability of local authorities 2018 visualisation, NAO, November 2018

The NAO have published interactive visualisations that describe the changes in the local authorities' financial circumstances from 2010-11 to 2016-17.

The data presented shows changes in income and spending along with an analysis of factors such as budget overspends and use of reserves. These figures vary for a range of reasons such as local political priorities, changes in local demand and changes in government policy and priorities. The report warns that any comparison between places need to be undertaken with caution. The complexity of factors underlying the data means that differences in figures presented should not be viewed as indicative of the current 'performance' of an authority. Any differences between authorities is an opportunity to ask further questions to gain a better understanding of what is happening locally.

Councils can use these visualisations to explore the broad trends identified in the NAO report Financial sustainability of local authorities 2018 (July 2018) in order to increase their understanding of individual local authorities.

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

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4. Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts, CIPFA, December 2018

CIPFA has published the Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts. The guidance notes detail key accounting changes introduced by the 2018-19 accounting code and provide practical support for the preparation of the year-end accounts.

Other recent and related publications from CIPFA which Council's may wish to be aware of include:

- Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2018-19 Accounts;
- Service Reporting Code of Practice for Local Authorities 2019-20;
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition);
- Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police and Fire Authorities (2018); and
- LGPS Fund Accounts 2018-19: Example Accounts and Disclosure Checklist.

<https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

5. Implementation date for IFRS 16 Leases, CIPFA, December 2018

Council will wish to be aware of this statement from the CIPFA/LASAAC Code board on the implementation date of IFRS 16 Leases. CIPFA/LASAAC have confirmed that the effective date of implementation in the Code has been deferred for one year only to 1 April 2020, for alignment with the wider public sector.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

6. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Limited, July 2018

The PSAA report on the work of public sector auditors in sectors that they have responsibility for audit appointment and regulation continues to show Mazars performing better than other suppliers.

The report concludes the following in respect of Mazars LLP:

"Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2017/18, Mazars' combined audit quality and regulatory compliance rating was green. The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor. Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green" Mazars' overall weighted audit quality score of 2.55 has increased slightly from last year's 2.45."

Figure 1: 2018 Comparative performance for audit quality and regulatory compliance

	BDO	EY	Deloitte	PwC	Grant Thornton	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

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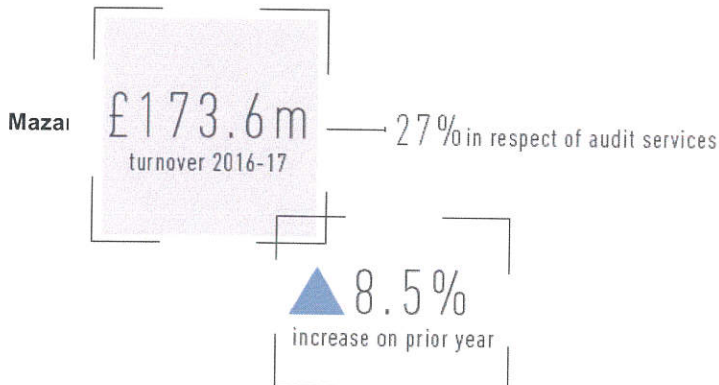
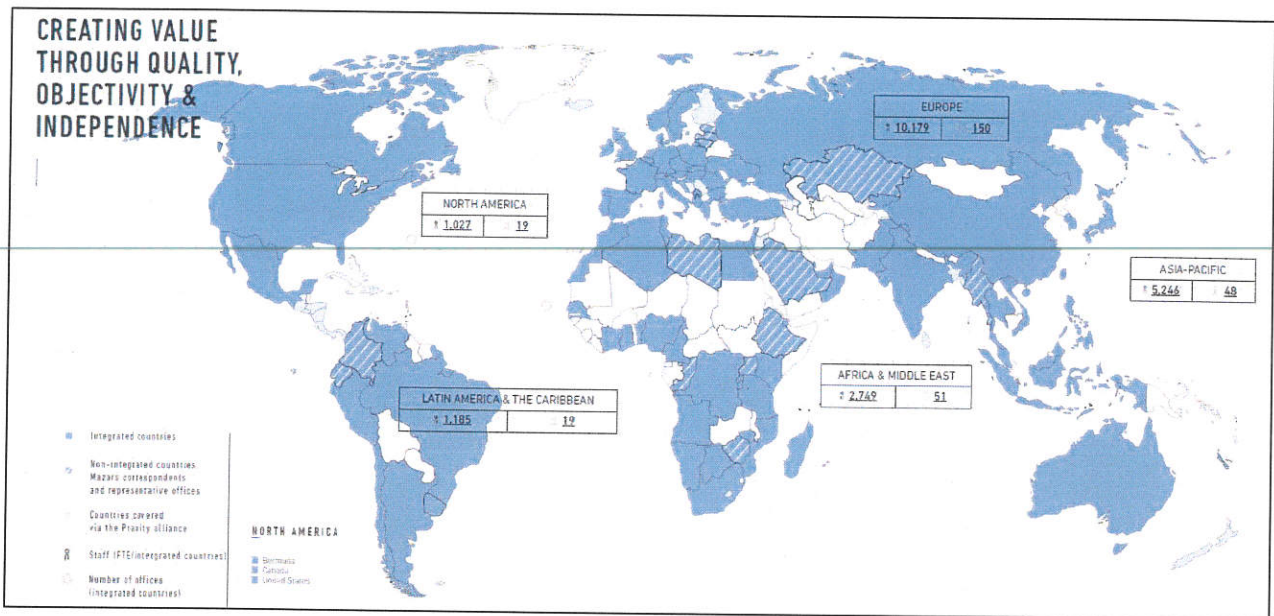
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MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



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