

Report to Audit Committee

Audit Progress Report

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Purpose of Report

The report sets out an update on general matters as set out in the attached Audit Progress Report from external audit.

Executive Summary

This is the first update of matters that Mazars, the Council's external auditor from 2018/19, wishes to share with this Committee.

Recommendations

That Members of the Audit Committee note the Audit Progress Report.

Audit progress report

Oldham Metropolitan Borough Council

November 2018





CONTENTS

- 1. Audit progress**
- 2. National publications**

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1. AUDIT PROGRESS

Purpose of this report

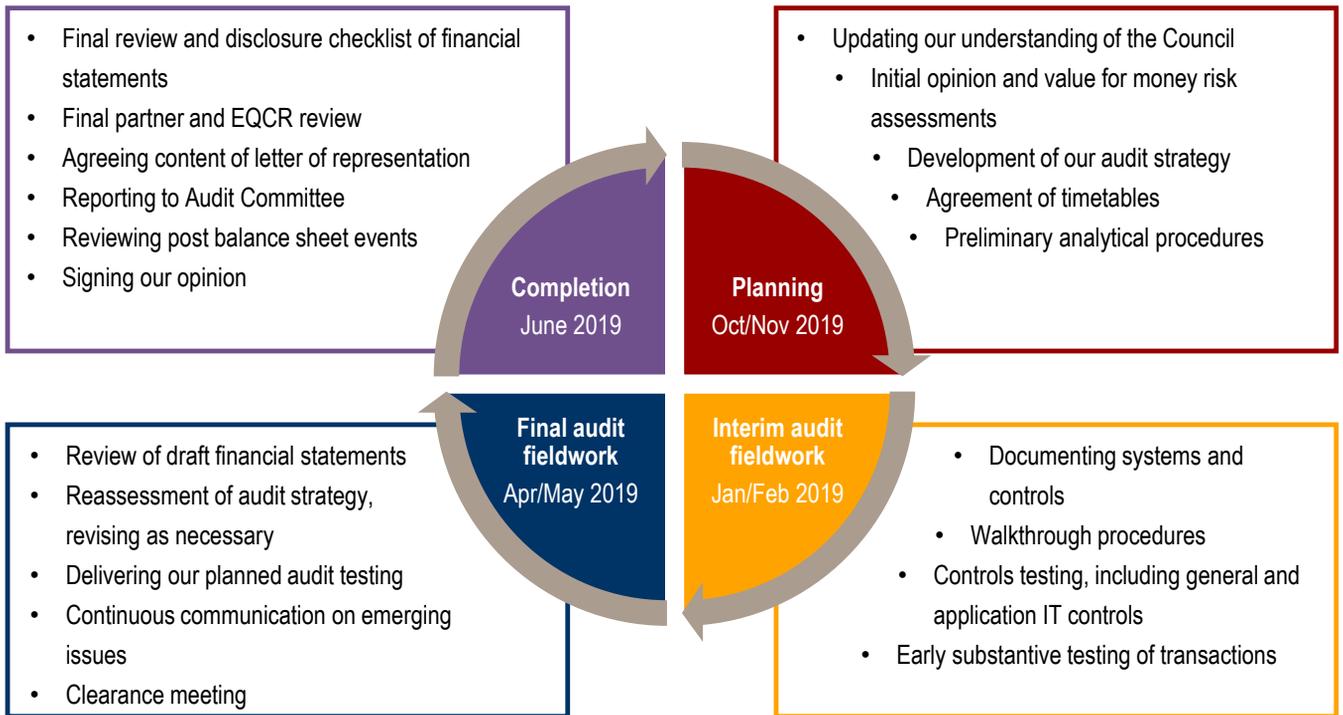
This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

This is first year of audit, and this is our first progress report in respect of the 2018/19 audit year.

Our key audit stages are summarised in the diagram shown below. We have completed our initial planning and risk assessment work and have finalised our Audit Strategy Memorandum 2018/19. This will be presented to the January 2019 Audit Committee for discussion.

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



2. NATIONAL PUBLICATIONS – SUMMARY

	Publication/update	Key points	Page
National Audit Office (NAO)			
1	Exiting the EU	The NAO has published a number of reports on the exit from the EU during 2018.	5
2	Departmental overview – Ministry of Housing, Communities and Local Government	Focus on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation.	5
3	Departmental overview – Local authorities	The main body of the report covers: financial sustainability, housing and homelessness, and adult social care.	5

Chartered Institute of Public Finance and Accountancy (CIPFA)			
4	Statement expressing concerns with Councils funding commercial investment through borrowing	CIPFA statement and link to article.	6
5	Local Authority Leasing Briefing 3	Key issue for local authorities and statement of accounts.	6

Public Sector Audit Appointments Ltd (PSAA)			
6	Report on the results of auditors' work 2017/18: Principal local government and police bodies	Oldham Metropolitan Borough Council met the deadline. Report notes encouraging results across the country.	7
7	Consultation on 2019/20 scale of fees for opted-in bodies	2019/20 fees proposed to remain the same as 2018/19, being £104,428 for Oldham Metropolitan Borough Council.	7
8	Oversight of audit quality, quarterly compliance reports	No significant issues.	7

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Exiting the EU, National Audit Office

The National Audit Office has produced a number of publications on the UK's exit from the EU, including:

- The UK border: preparedness for EU exit;
- Department for Environment, Food and Rural Affairs;
- Department for Transport;
- Consumer protection, competition and state aid; and
- Exiting the EU: the financial settlement.

https://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report

2. Departmental overview: Ministry of Housing, Communities and Local Government (MHCLG), National Audit Office

The Departmental Overview is designed to provide a quick and accessible overview of the Department and its performance over the last year. The report focuses on the Department's responsibilities setting out how it is structured, how it spends its money, and its major programmes. It also covers key developments in its areas of work, including exiting the European Union, and findings from recent NAO reports.

The main body of the report focuses on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation. The report concludes by setting out future developments, risks and challenges impacting on MHCLG.

The report also includes a section on the Department for Exiting the EU (pdf page 8).

<https://www.nao.org.uk/report/departmental-overview-ministry-of-housing-communities-and-local-government-2017-18/>

3. Departmental overview: local authorities

The report summarises the work of local authorities, including:

- what they do and how they are organised;
- the system of accountability;
- where they get their funding and how they spend their money; and
- major programmes and developments across local authorities' main business areas and services.

The main body of the report covers: financial sustainability; housing and homelessness; and adult social care.

The overview addresses further developments in the sector, including those on 'fair funding', empty homes and the government's new Rough Sleeping Strategy will be driven by local authorities. It draws attention to the synergies required across local authorities and with MHCLG for the successful implementation of these programmes.

<https://www.nao.org.uk/report/departmental-overview-local-authorities-2017-18/>

2. NATIONAL PUBLICATIONS - CIPFA

4. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties>

<https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns>

5. Local Authority Leasing Briefing 3, CIPFA

This briefing focuses on discount rates, lessor accounting, disclosure requirements, concessionary leases – lessees and the measurement of the service concession arrangement (PFI/PPP) liability.

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

2. NATIONAL PUBLICATIONS – PUBLIC SECTOR AUDIT APPOINTMENTS LTD

6. Report on the results of auditors' work 2017/18: Principal local government and police bodies, Public Sector Audit Appointments Limited

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers at 495 principal local government and police bodies for 2017/18.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

7. Consultation on 2019/20 scale of fees for opted-in bodies, Public Sector Audit Appointments Ltd

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements.

The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

<https://www.psa.co.uk/audit-fees/2019-2020scaleoffees/>

8. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

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

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