

Audit progress report

Gateshead Council

January 2020





CONTENTS

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

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1. AUDIT PROGRESS

Purpose of this report

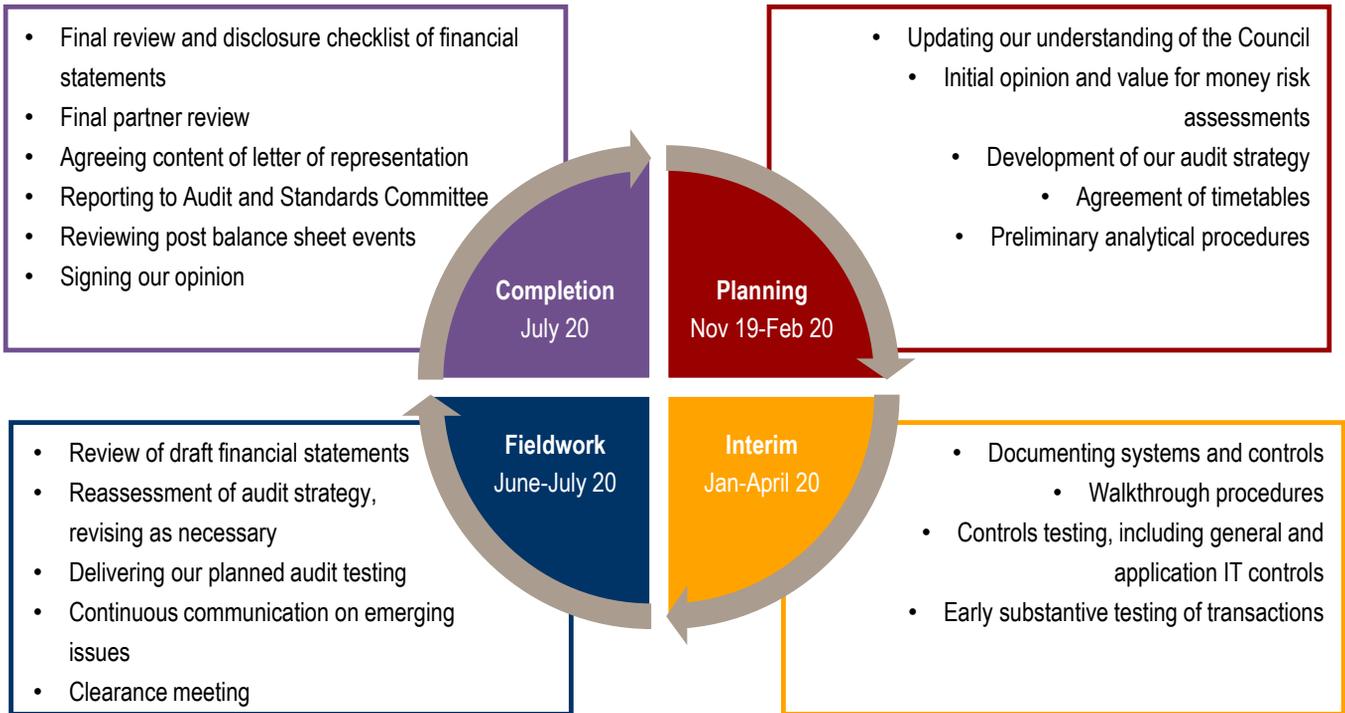
This report provides the Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

Our key audit stages are summarised in the diagram shown below.

We are currently at the planning stage. The outcome of this work will be communicated in our Audit Strategy Memorandum. We intend to present the 2019/20 Audit Strategy Memorandum to the April 2020 Audit and Standards Committee.

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



1. AUDIT PROGRESS - CONTINUED

Teachers' Pension assurance

The Council engaged Mazars as Reporting Accountant to complete an agreed upon procedures engagement. The agreed fee for this work was £3,750 (plus VAT). The requirements of this work are set out in the TP05 Reporting Accountant Guidance (dated 12 June 2019) published by Teachers' Pensions. We completed the required procedures and provided our agreed upon procedures report to Teachers' Pensions ahead of the 29 November 2019 deadline.

Our reported contained only one exception. The exception noted that in all of the ten cases of prior year refunds there was no correspondence from Teachers' Pensions. However, our work identified that in all cases the circumstances involved would mean that no such correspondence would be expected, as we also pointed out in our report.

2018/19 Housing Benefits subsidy assurance

This was an 'agreed upon procedures' assurance engagement in respect of the Council's annual subsidy claim to the Department of Work and Pensions (DWP) for housing benefits. The requirements of this work are specified in guidance issued by the DWP "Housing Benefits Assurance Process" (HBAP). The Council engaged Mazars as Reporting Accountant for the 2018/19 return. The agreed fee for this work was £10,000 (plus VAT).

The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis. The relevant requirements are set out in the Modules of the HBAP reporting framework and we report the results of those procedures to the Council and the DWP. The guidance is made available on the government's website:

<https://www.gov.uk/government/publications/housing-benefit-assurance-process-hbap>

The value of the subsidy claimed as per original 2018/19 return is £65,992,299. This is split between different benefit types:

- Rent rebates - £35,369,161 (non HRA rent rebates £311,797 and HRA rent rebates £35,057,364); and
- Rent Allowance - £29,739,389;

The subsidy claimed also includes £885,392 of administration subsidy less £1,643 of prior year uncashed payments.

The work is split into:

- agreement of the subsidy claim to supporting working papers;
- initial testing (specified sample sizes);
- extended testing (described as "40+" or 'CAKE – Cumulative Knowledge and Experience' testing where there are errors arising or anticipated based on the prior year);
- checking that benefit parameters and annual allowances in HB system have been correctly updated to reflect annual uprating (Module 2);
- ensuring subsidy claim has been completed using the appropriate software (Module 5);
- testing of modified schemes (specified sample sizes); and
- reporting of results, including extrapolated errors, to DWP who then assess whether there will be any loss of subsidy.

1. AUDIT PROGRESS - CONTINUED

Matters reported

The draft assurance report issued on 20 November 2019 reported the matters detailed below:

- initial testing

Initial testing of 20 non HRA rent rebate cases identified an error in one case where the overpayment had been incorrectly classified as within the housing benefits system the overpayment had been classified as “other error” and therefore included as eligible on the assumption it would net off however because this was a change of address case where the payee differs the case would never net off so the overpayment classification should have been administrative delay overpayment. The Council has reviewed all such cases and has amended the claim accordingly. The Council reviewed all non HRA rent rebate cases where an overpayment had been classed as “other error” and where this overpayment should not be included as eligible amended the claim.

- Modified schemes

Our testing of a sample of eleven cases in cell 225 identified that in two cases the incorrect war pension was being used. Given the small population in this cell the Council tested all cases in this cell and identified that in a further 5 cases the incorrect war pension figure was being used. The claim was amended to correct for these errors.

As a result of amendments referred to above the value of the subsidy claimed was by £1,123 to £65,993,422.

We would like to express our thanks for the assistance of the Council’s Housing Benefits team during this work.

Pooling of Housing Capital Receipts Return

The Council engaged Mazars as Reporting Accountant to complete an agreed upon procedures engagement. The proposed fee for this work is £2,200 (plus VAT). The requirements of this work are set out in the Pooling of Housing Capital Receipts Guidance (dated 10 October 2019) published by The Ministry of Housing, Communities and Local Government. At the time of preparing this report we have substantially completed the required procedures. We expect to provide our agreed upon procedures report to The Ministry of Housing, Communities and Local Government ahead of the 7 February 2020 deadline.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Consultation – new Code of Audit Practice from 2020	Second stage of consultation to take place in the second half of 2019. New Code to take effect from 2020/21.
2.	Exiting the EU: supplying the health and social care sectors	The report considers the Department of Health & Social Care's progress in implementing its Continuity of Supply Programme.
3.	Support for pupils with special educational needs and disabilities in England	This report assesses how well pupils with SEND are being supported.
Local Government Association		
4.	Spending Round 2019: on the day briefing	Briefing on the latest spending round.
5.	A Councillor's guide to digital connectivity, LGA	Key information for Councillors.
6.	Reaching out, Local Government Association	Loneliness policy context and consideration of effective local delivery models.
Housing, Communities and Local Government Select Committee		
7.	Government response to the Housing, Communities and Local Government Select Committee report 'Local Government Finance and the 2019 Spending Review'	

2. NATIONAL PUBLICATIONS

1. Consultation – new Code of Audit Practice from 2020, NAO, May 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second will be undertaken in the second half of 2019. The NAO plans to consult on the draft Code text during late summer/autumn and then finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

Value for money arrangements

The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money (VFM arrangements).

Currently, the auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

There were three common issues identified, namely:

- financial sustainability;
- financial governance; and
- wider partnership working.

The NAO plans to consider how the auditor should report their findings on the adequacy of arrangements, and whether this should be replaced, or supplemented, by a commentary on the specified risks set out in auditor guidance.

<https://www.nao.org.uk/code-audit-practice/about-code/>

2. Exiting the EU: supplying the health and social care sectors, NAO, September 2019

In December 2018 the Department of Health & Social Care (the Department) brought all its preparations for maintaining supplies in the event of a 'no-deal' EU exit under a single Continuity of Supply Programme. The programme's objective is "to safeguard patient care and to ensure that the supply of medicines and medical products remains unhindered in a no-deal scenario". The NAO report examines the progress the Department has made in implementing the Programme.

<https://www.nao.org.uk/report/exiting-the-eu-supplying-the-health-and-social-care-sectors/>

2. NATIONAL PUBLICATIONS

3. Support for pupils with special educational needs and disabilities in England, NAO, September 2019.

This report assesses how well pupils with SEND are being supported. In particular the NAO examined:

- the system for supporting pupils with SEND and the outcomes it is achieving;
- funding, spending and financial sustainability; and
- the quality of support and experiences of pupils and parents.

One of the reports findings is that the system for supporting pupils with SEND is not, on current trends, financially sustainable. Many local authorities are failing to live within their high-needs budgets and meet the demand for support. Pressures – such as incentives for mainstream schools to be less inclusive, increased demand for special school places, growing use of independent schools and reductions in per-pupil funding – are making the system less, rather than more, sustainable. The report states the Department needs to act urgently to secure the improvements in quality and sustainability that are needed to achieve value for money.

<https://www.nao.org.uk/report/support-for-pupils-with-special-educational-needs-and-disabilities/>

4. Spending Round 2019: on the day briefing, Local Government Association, September 2019

Briefing issued by LGA in early September.

Key messages

- The 2019 Spending Round has provided councils with much of the funding certainty and stability they need for next year. The Chancellor has announced a funding package of more than £3.5 billion for vital council services. This is the biggest year on year real terms increase in spending power for local government in a decade. This funding will allow councils to meet the increase in cost and demand pressures they face in 2020/21, which we assess as amounting to £2.6 billion.
- The Government has responded to calls for new money, including £1 billion for social care and £700 million for children and young people with special educational needs and disabilities. The Chancellor confirmed that key grants to local government will also continue next year.
- With this investment councils will be better able to ensure older and disabled people can live the lives they want to lead. Councils will also be better able to support our most vulnerable young people, and to continue to improve their local areas.

<https://www.local.gov.uk/parliament/briefings-and-responses/spending-round-2019-day-briefing>

5. A Councillor's guide to digital connectivity, Local Government Association.

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing local area.

<https://www.local.gov.uk/councillors-guide-digital-connectivity-0>

6. Reaching out, Local Government Association.

This guide outlines the current loneliness policy context, uses a range of case studies to demonstrate effective local delivery models working in practice, and provides useful checklists and tips on how to measure and evaluate outputs.

<https://www.local.gov.uk/reaching-out>

2. NATIONAL PUBLICATIONS

7. The government's response to the report on Local Government Finance and the 2019 Spending Review, October 2019

The Government has responded to the Housing, Communities and Local Government Select Committee report on Local Government Finance and the 2019 Spending Review. In the report, the Government covers the decision to undertake a review of local government audit. The Government also responds to several other recommendations from the Select Committee's original report, including:

- developing a more consistent approach to the collection and monitoring of comparative data about councils' performance, efficiency and financial sustainability;
- the need for MHCLG, working with HM Treasury and other departments, to clearly set out what tasks are expected of local government and how much funding it requires;
- the need for increased adult social care funding;
- the need for MHCLG and HM Treasury to provide a multi-year settlement for local government which runs for one year beyond the Spending Review period – similar to the approach that is currently used for Departmental capital budgets; and
- the need for reforms and substantial changes to the business rate retention system.

<https://www.gov.uk/government/publications/local-government-finance-and-the-2019-spending-review-response-to-the-select-committee-report>

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