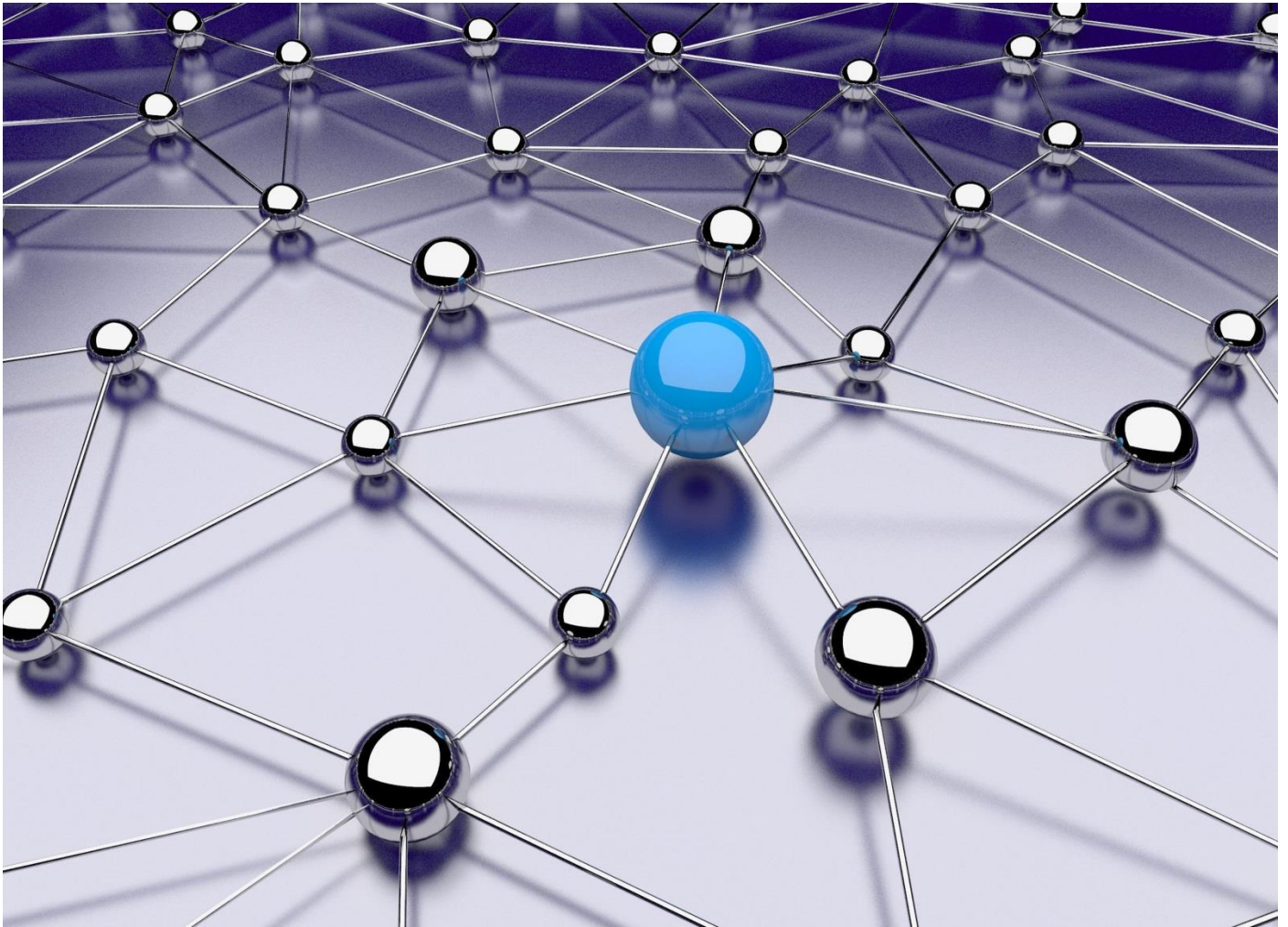


# Gateshead Council Audit Progress Report

June 2016



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# 01 Introduction

The purpose of this report is to update the Audit and Standards Committee of Gateshead 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 details at the end of this update.

# 02 Summary of audit progress

## 2015/16 audit

We have now completed our detailed audit planning, in particular we have:

- carried out our initial planning in respect of 2015/16, refreshing our understanding of the business and what we consider are the significant risks of material misstatement in respect of the financial statements and also the Value for Money (VfM) conclusion so as to inform our testing strategy;
- documented a walkthrough of the key financial systems;
- held on-going liaison meetings with your Internal Auditors to both share common knowledge and ensure no duplication;
- held on-going liaison meetings with senior officers; and
- considered key agendas and papers.

Based on our work to date we have no significant matters arising to report to you and there are no changes to our original assessment of significant risks (Opinion and VfM) as set out in our Audit Strategy Memorandum which was presented to the Audit and Standards Committee on 7 March 2016.

Work has now commenced on the Council's draft 2015/16 Statement of Accounts, which we received on 31 May 2016. We plan to include our Audit Completion Report on the agenda of the Audit and Standards Committee on 25 July 2016 before we present to the Accounts Committee for approval on 29 July 2016.

## North East Governance Forum

The forum was established for officers and Members, particularly Chairs and Vice Chairs of Audit Committees, with the aims of:

- promoting good practice in governance;
- facilitating dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- providing a safe and valued forum for discussion.

The second meeting of our North East Governance Forum took place at Durham County Cricket Club on 16 June 2016, which was attended by Members and officers of the Council.

The topics discussed on this occasion included:

- Cybercrime and system resilience;
- Risk register benchmarking; and
- Governance round-up.

# 03 National publications and other updates

National publications and other updates	
1.	<b>Item 8 Determination consultation</b> , <i>Department for Communities and Local Government, May 2016</i>
2.	<b>Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019</b> , <i>Department for Communities and Local Government, April 2016</i>
3.	<b>Oversight of audit quality</b> , <i>Public Sector Audit Appointments, quarterly compliance reports 2015/16</i>

## 1. **Item 8 Determination consultation**, *Department for Communities and Local Government, May 2016*

The introduction of self-financing to the Housing Revenue Account (HRA) in April 2012, fundamentally changed the way that local authority housing is funded. The former system of redistributive subsidy, with all its associated complexity, was replaced with a system where rental income is kept locally in return for authorities taking on a level of debt representative of the value of the stock. Local Authorities took on the responsibility for investment in the housing assets based on a 30 year Business Plan.

As part of the self-financing settlement, substantial changes were made to the accounting treatment of capital assets. A five year transitional period was put in place to help local authorities manage the impact of these changes by allowing them to “reverse out” impairment charges and to use the former Major Repairs Allowance (MRA) as a proxy for calculating depreciation, whilst preparing for fully componentised depreciation in line with proper accounting practices.

The transitional period ends on 31 March 2017. This consultation paper outlines the Department’s proposals for dealing with the end of that transitional period.

<https://www.gov.uk/government/consultations/housing-revenue-account-draft-item-8-credit-and-item-8-debit-general-determination>.

## 2. **Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019**, *Department for Communities and Local Government, April 2016*

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses. This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment illustrates

the financial benefits that can accrue from fighting fraud more effectively;

- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan; and
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

<https://www.gov.uk/government/publications/fighting-fraud-and-corruption-locally-2016-to-2019>

**3. Oversight of audit quality: quarterly compliance reports 2015/16, Public Sector Audit Appointments Ltd**

There are no significant issues arising highlighted in respect of Mazars LLP in the latest quarterly report (quarter 4 of 2015/2016).

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

# 04 Contact details

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

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