



# Audit progress report

City of Bradford Metropolitan District

Council

March 2018





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# 1. AUDIT PROGRESS

## Purpose of this report

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

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

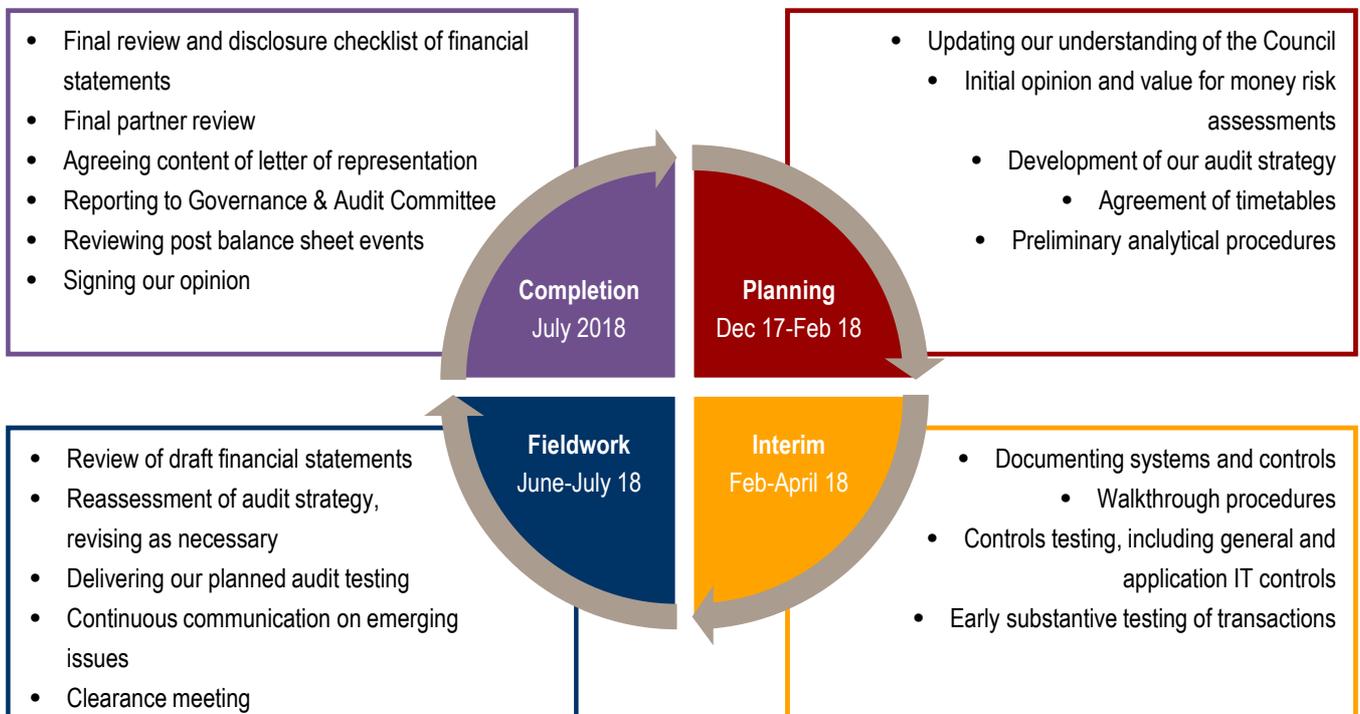
Finally, please note our website address [www.mazars.co.uk](http://www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the work Mazars does in the public sector.

## Audit progress

Our key audit stages are summarised in the diagram shown below. Overall work is on track and there are no significant issues arising.

Details of work completed and on-going are as follows:

- documenting systems and controls;
- walkthroughs of the key information systems;
- updating our IT risk assessment;
- controls testing, including general and application IT controls;
- early substantive testing of transactions (including income and expenditure, journals and property, plant and equipment); and
- updating our VFM risk assessment and early work in response to the significant VFM risk identified within our audit strategy memorandum i.e. delivery of a balanced budget and medium term financial planning



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## 2. AUDIT PROGRESS (CONTINUED)

Other on-going work includes:

- continued liaison with senior officers and consideration of key agendas and papers; and
- liaising with your internal auditors to share knowledge and ensure no duplication.

At this stage of the audit, there are no issues arising or significant deficiencies in internal control that we are aware of from our work and planned work is on track for the year.

### Housing benefits

Initial discussions have been held and an early planning meeting will be arranged with officers to discuss the approach for our work on the 2017/18 housing benefits subsidy return.

Although the current year's housing benefits work is covered by the PSAA contract, from 2018/19, the Council needs to make its own arrangements. DWP are producing 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 are likely to require councils to identify their reporting accountant for this work much sooner, possibly by June 2018 (following the extension of an earlier deadline of 1 March 2018 as the guidance is still not complete).

Mazars will be happy to provide a competitive quotation for undertaking this work when the timescales and requirements are clarified.

### 3. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication / update
1.	Financial difficulties experienced by Northamptonshire County Council
2.	Local authorities encouraged to consider local public accounts committees, February 2018
3.	Local audit quality forum, Public Sector Audit Appointments, January 2018
4.	Sustainability and Transformation in the NHS, National Audit Office, January 2018
5.	Preparing for full GDPR implementation by 25 May 2018
6.	Financial sustainability of local authorities 2018, National Audit Office, March 2018

#### 1. Financial difficulties experienced by Northamptonshire County Council

There has been much media coverage of Northamptonshire County Council's financial problems, which led to the Council issuing a section 114 notice stopping all non-statutory spending (the first such notice issued anywhere for almost 20 years), and difficulties in setting a legal budget for 2018/19 which are still ongoing. These issues highlight the impact that austerity measures can have on local government services, and the importance of delivering any savings needed to balance the budget, however difficult and unpalatable such decisions might be.

The three Public Finance articles (links below) provide a good summary of these issues:

<http://www.publicfinance.co.uk/news/2018/02/northants-revised-budget-finds-further-ps99m-savings1>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-review-budget-following-audit-warning>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-sparks-warnings-other-councils-could-fail>

#### 2. 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, should 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, as set out below.

- 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.

<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/>

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## 3. NATIONAL PUBLICATIONS - CONTINUED

### 3. Local audit quality forum, Public Sector Audit Appointments, January 2018

Local bodies which have opted into Public Sector Audit Appointments' national scheme will be entitled to attend Local Audit Quality Forum (LAQF) events free of charge. The LAQF will be a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. Public Sector Audit Appointments (PSAA) want to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

The inaugural meeting is a one-day event in London on 18 April 2018 and PSAA have set out they hope audit committee chairs and chief finance officers will welcome the initiative.

<https://www.psa.co.uk/local-audit-quality-forum/local-audit-quality-forum/>

### 4. Sustainability and Transformation in the NHS, National Audit Office, January 2018

Additional funding, aimed to help the NHS get on a financially sustainable footing, has instead been spent on coping with existing pressures, according to the National Audit Office's (NAO) report.

The NHS received an additional £1.8 billion Sustainability and Transformation Fund in 2016-17 to give it breathing space to set itself up to survive on significantly less funding growth from 2017-18 onwards. It was also intended to give it stability to improve performance and transform services, to achieve a sustainable health system.

The Fund has helped the NHS improve its financial position from a £1,848 million deficit in 2015-16 to a £111 million surplus in 2016-17. Within the overall position, the combined trust deficit reduced to £791 million in 2016-17 from £2,447 million in 2015-16. There has also been an improved underspend of £154 million across clinical commissioning groups, yet 62 groups reported a cumulative deficit in 2016-17, up from 32 in 2015-16.

Despite its overall financial position improving, the NHS is struggling to manage increased activity and demand within its budget and has not met NHS access targets. Furthermore, measures it took to rebalance its finances have restricted money available for longer-term transformation, which is essential for the NHS to meet demand, drive efficiencies and improve the service. For example, the Department transferred £1.2 billion of its £5.8 billion budget for capital projects to fund the day-to-day activities of NHS bodies.

Clinical commissioning groups and trusts are increasingly reliant on one-off measures to deliver savings, rather than recurrent savings that are realised each year. Between 2014-15 and 2016-17 the percentage of savings that were non-recurrent increased from 14% to 17% for commissioners, and from 14% to 22% for trusts. This poses a significant risk to the financial sustainability of the NHS in the future.

Progress has been made in setting up 44 new partnership arrangements across health and local government, which are laying the foundations for a more strategic approach to meeting the demand for health services within the resources available. In reality, partnerships' effectiveness varies and their tight financial positions make it difficult for them to shift focus from short-term day-to-day pressures to delivering transformation of services.

The NAO has made a number of recommendations to the Department, NHS England and NHS Improvement, which includes moving further and faster towards aligning nationwide incentives, regulation and processes, as well as reassessing how best to allocate the sustainability and transformation funding.

<https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/>

## 3. NATIONAL PUBLICATIONS - CONTINUED

### 5. Preparing for full GDPR implementation by 25 May 2018

The EU's General Data Protection Regulation (GDPR) is the result of four years of work by the EU to bring data protection legislation into line with new, previously unforeseen ways that data is now used. Currently, the UK relies on the Data Protection Act 1998, which was enacted following the 1995 EU Data Protection Directive, but this will be superseded by the new legislation. It introduces tougher fines for non-compliance and breaches, and gives people more say over what organisations can do with their data. It also makes data protection rules more or less identical throughout the EU.

This is the first comprehensive regulation dedicated to the European data protection rules in 20 years. It was adopted into law on 27 April 2016 and came into force on 25 May 2016. By 25 May 2018, all organisations are required to have implemented its principles, regardless of Brexit. The key principles of GDPR are summarised below.

- **Fair and lawful** – must have legitimate grounds for collecting and using the personal data. Use in accordance with the law and regulations. Transparency.
- **Purposes** should be specified, explicit and legitimate
- **Proportionality** – must hold personal data about an individual that is sufficient for the purpose it is held for. Do not hold more information than needed for that purpose.
- **Accuracy** - carefully consider any challenges to the accuracy of information. Consider whether it is necessary to update information.
- **Deletion** - personal data shall not be kept for longer than necessary. Only relevant data can therefore be kept.
- **Subject's access** - right of access, Right to object to processing, Right to prevent processing for direct marketing, Right to object to decisions being taken by automated means, Right to have inaccurate personal data rectified, blocked or destroyed.
- **Security measures** - take all necessary steps to ensure the data security.
- **Transfers limitation** - no transfer to a country or territory outside the EEA unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects.

The GDPR requirements are particularly important to local government, given the nature of their activities, dealing directly with citizens and holding a range of personal and sensitive data. While there has been much focus on potential financial penalties, there is a need to see this more as an opportunity for enhanced accountability, to ensure that citizens' data is processed in a secure but transparent manner, and realise the benefits to be gained by building trust with citizens through the adoption of a fair and transparent approach to the collection and use of their data.

Recent high profile cases highlight the risks of what can happen if data is not adequately protected. Key actions for organisations include:

- organisational commitment;
- privacy assessment (understanding what data is held and for what purposes it will be used including contracts with third parties);
- compliance and monitoring;
- privacy training; and
- private governance (preparation of a strategy and plan to ensure full GDPR compliance).

### 6. Financial sustainability of local authorities 2018, National Audit Office, March 2018

On Thursday 8 March, the NAO published the *Financial sustainability of local authorities 2018*.

The study assesses financial and demand conditions in the sector and the implications for local authority financial and service sustainability. It also reviews the stewardship role of the Ministry of Housing, Communities and Local Government, and the role of other departments with local service responsibilities, in relation to the local government financial and service sustainability. Further details are available via the following link:

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

## 4. CONTACT DETAILS

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

[www.mazars.co.uk](http://www.mazars.co.uk)

Mark Kirkham  
Partner  
0113 387 8850  
07747 764 529  
[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

Mark Dalton  
Senior Manager  
0113 387 8735  
07795 506766  
[mark.dalton@mazars.co.uk](mailto:mark.dalton@mazars.co.uk)

Mazars House,  
Gelderd Road,  
Gildersome,  
Leeds  
LS27 7JN  
0113 204 9797

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