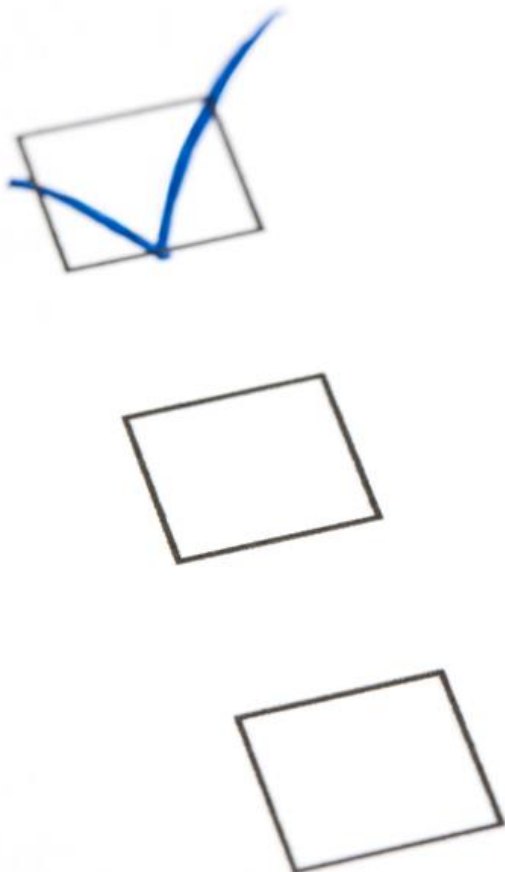


City of York Council



Audit Progress Report

June 2014



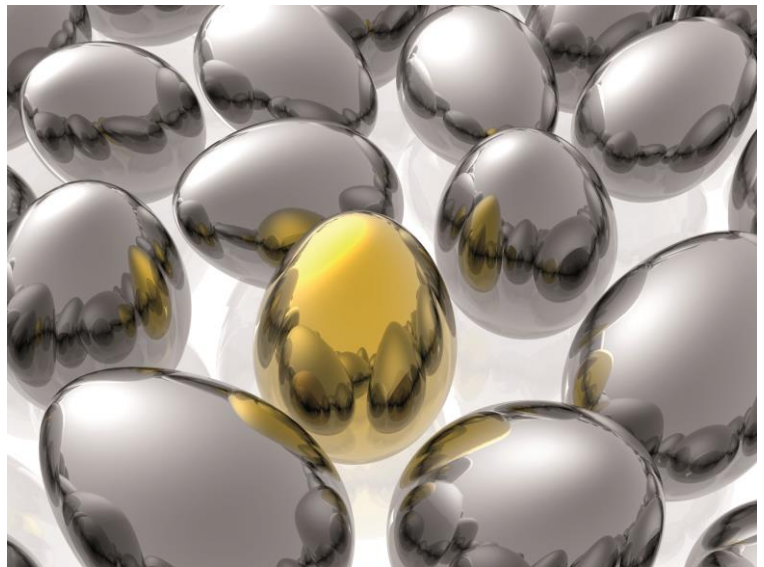
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Purpose of this paper

The purpose of this paper is to update the Audit and Governance Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

If you need any additional information please contact Gareth Davies or Gavin Barker using the contact details at the end of this update.

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Summary of audit progress



Our audit work has continued to progress well.

Opinion audit

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We have maintained a dialogue with officers working on the production of the Council's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

VFM conclusion

We have identified an additional risk in relation to the VFM conclusion. The following risk should be considered as an addition to page 7 of the Audit Strategy Memorandum 2013/14, which was considered by the Audit and Governance Committee on 16 April 2014.

VFM risks in relation to Adult Social Care services

Description of the risks

Adult social care is identified as one of the highest priorities within the Council's service transformation programme. During the audit, we have become concerned at the lack of progress in making improvements to budget management and other aspects of adult social care services.

The development of the Better Care Fund provides a major challenge but also a significant opportunity for the Council and CCG to work together to increase investment in much needed intermediate and preventative care.

We are concerned that the lack of progress in delivering service improvement, together with the challenges of the Better Care Fund and the new Care Act, mean that the Council is at risk of failing to deliver good value for money in adult social care services and the best outcomes for local people.

How we will address this risk

We will review budget monitoring and reporting, focusing on areas where action plans are in place to make savings and minimise any adverse impact on services. We will review the plans that are developed to deliver future improvements, including those being developed through the Council's transformation programme.

We are working closely with officers to understand the barriers to progress and how they can best be addressed.

The Chief Executive has recognised that insufficient progress has been made and has instituted an accelerated recovery and improvement process, working closely with the Director of Health and Wellbeing.

We continue to review the Council's arrangements to secure VFM in its use of resources. This has included reviewing the Council's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

Issues raised by members of the public

In our previous progress report, we highlighted that a number of issues had been raised with us by members of the public.

In the table below, we summarise the issues raised and our conclusions.

Issues raised with us	Our conclusions
Foreign travel by senior officers including the Chief Executive	We reviewed arrangements and did not identify any issues of concern for our audit. We note that the Council has reviewed foreign travel and intends to identify who has travelled overseas and why as part of its monthly publication of expenditure.

Issues raised with us	Our conclusions
Asset sales and decisions about what to do with a number of strategic assets	We reviewed arrangements and did not identify any issues of concern for our audit.
Use of s106 monies secured from developers in relation to planning proposals	There have been inconsistencies in recording the application of s106 funds and balances remaining on s106 accounts. This appears to have been a result of errors in record keeping. Officers are updating and correcting records as part of the closure of the accounts. We will consider this further during the audit of the accounts and will report back if any outstanding issues are identified.
Other issues	<p>We have been copied in to correspondence in relation to the traffic restrictions on Lendal Bridge. We will consider how this issue is accounted for in the 2013/14 accounts.</p> <p>We have been copied in to correspondence on other issues. We have not identified any further audit action that is required.</p>

Amendment to Grants and Returns Work Plan

On 16 April 2014, we presented our Grants and Returns Work Plan 2013/14 to the Audit and Governance Committee.

There has been a change to this plan as a result of information provided by the Audit Commission.

Firstly, as we will not have to review council tax benefits as part of the benefits claim this year, the Commission has reduced the scale fee for benefits claims by 12% for all authorities.

In addition, the work on the Teachers Pensions Return is no longer required as part of the Commission's grants regime.

The impact of this for City of York Council is to reduce the overall scale fee for grants and returns by £3,019, from £19,000 to £15,981.

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Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Proposed closure of the Audit Commission and the transfer of its functions
- Latest information on Value for Money (VFM) profiles
- Confirmation of 2014/15 work programme and scale of fees
- Audit fee rebates and future reductions

Emerging issues and developments

Issue / development	Implications
<p>Proposed closure of the Audit Commission and the transfer of its functions</p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer of management of audit contract functions can be found at: http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</p> <p>More information on the transfer of counter fraud work to CIPFA can be found at: http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</p>

Emerging issues and developments

Issue / development	Implications
<p>Latest information on Value for Money (VFM) profiles</p> <p>The Audit Commission has continued to promote the use of its VFM profiles.</p> <p>We have previously highlighted in these pages a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine the administration of benefits, central costs, waste management and most recently, the use of assets.</p> <p>As identified earlier in this report, we consider the VFM profiles as part of our work on the VFM conclusion.</p> <p>One question that has now been clarified is that arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the LGA (mentioned in the previous item of this briefing).</p> <p>The Commission has said that the “profiles tool ... brings together data about the cost, performance and activity of local councils and fire authorities. Auditors use the tool to identify areas that need further examination, when working on the VFM conclusion in the annual audit. The Profiles are also widely used by the public, with over 135,000 visits this year to individual pages.”</p>	<p>The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address:</p> <p>http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing</p> <p>The reports on specific topic areas using the VFM profiles are available at the following link:</p> <p>http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>

Emerging issues and developments

Issue / development	Implications
<p>Confirmation of 2014/15 work programme and scale of fees</p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p>	<p>City of York Council's audit fee for the 2014/15 audit is confirmed as £134,406. This is the same fee as 2012/13 and 2013/14.</p> <p>The fees announcement can be found at: http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</p>
<p>Audit fee rebates and future reductions</p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>There continues to be downward pressure on audit fees.</p> <p>These announcements can be found at: http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/ and: http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</p>

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