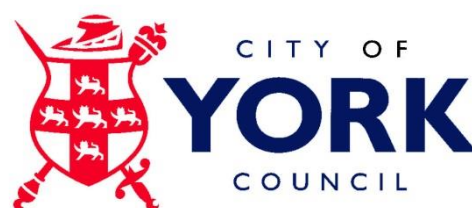
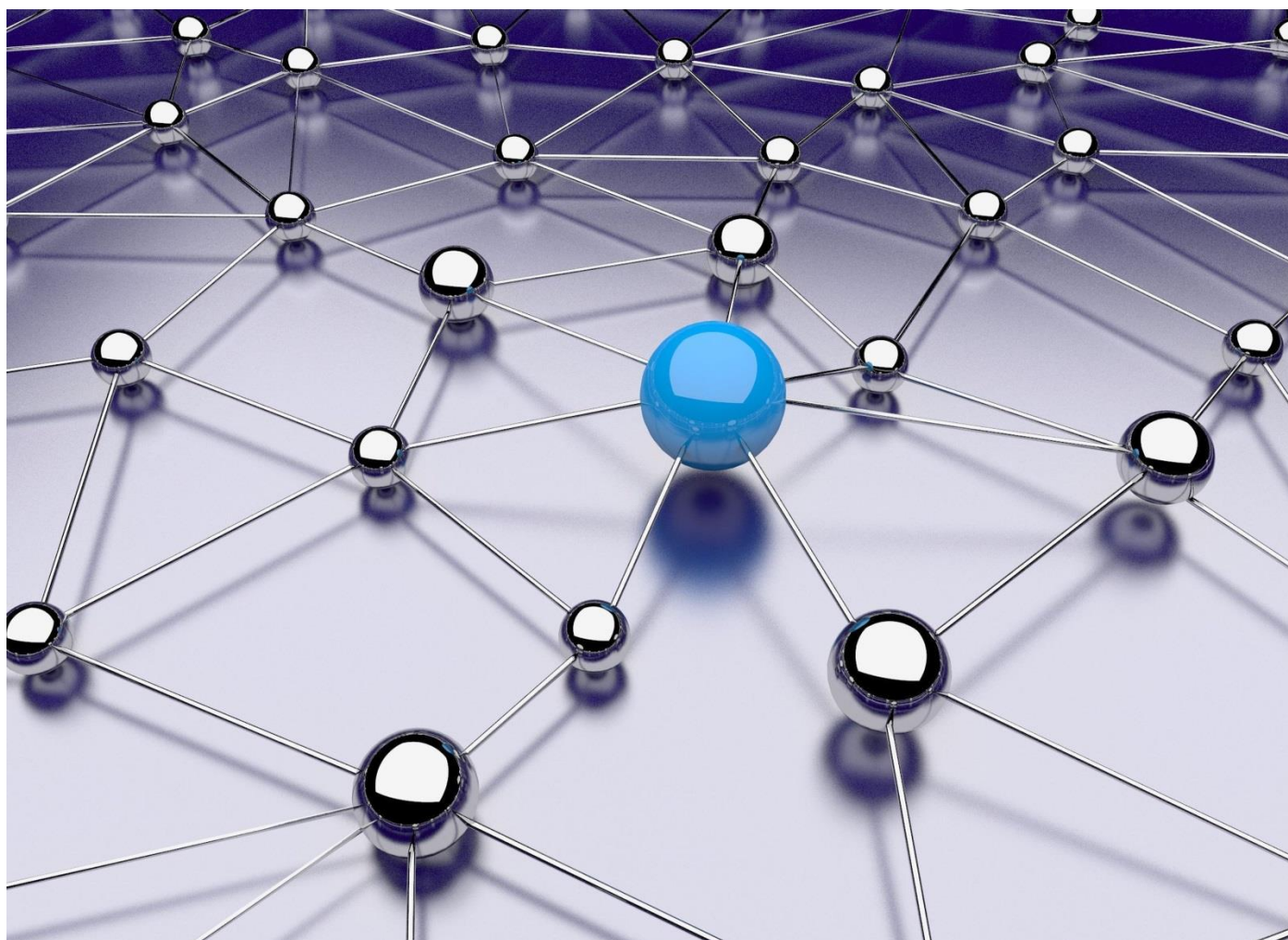


City of York Council Audit Progress Report

December 2016



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to City of York Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.

01 Introduction

The purpose of this report is to update the Audit and Governance Committee of City of York 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 Audit progress

Progress of the 2015/16 audit

At the meeting of the Audit and Governance Committee on 28 September 2016 we reported that the audit was substantially complete and we expected to issue an audit opinion and VFM conclusion on 30 September 2016.

On 30 September 2016, we were able to issue:

- an unqualified opinion on the Authority's financial statements; and
- an unqualified value for money conclusion.

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your Whole of Government Accounts (WGA) consolidation pack with the audited statement of accounts. We reported that your consolidation pack was consistent with the audited statement of accounts on 20 October 2016.

We finalised our Annual Audit Letter in October 2016 and we will be presenting it as a separate agenda item to this meeting. This summarises our work and findings as well as outlining future challenges.

Members will recall that when we presented our Audit Completion Report on 28 September 2016, we presented summary findings in relation to our additional VFM work and explained that we were preparing a separate and more detailed audit report on the findings from this work (covering programme and project management, the community stadium, the older persons' accommodation programme, integration of health and social care and the operation of the Better Care Fund, and the 'future shape and size' programme) and that this would be reported to a future meeting of the Audit and Governance Committee. This is also included as a separate agenda item to this meeting of the Committee.

Objection to the accounts

On 11 August 2016 we were notified by a local elector of an objection to the Council's accounts. The objection notice raised a number of issues, from which two specific areas relating to the procurement of services from two separate suppliers constituted a valid objection. At the time of the meeting of the Audit and Governance Committee on 28 September 2016, we were considering the Council's response to the issues raised in the objection.

At that time, we noted that the expenditure in the 2015/16 accounts relating to these procurements was below £100k and consequently well below the level of materiality for our opinion on the financial statements. We were therefore able to issue our opinion and VFM conclusion on 30 September 2016, but we were unable to certify completion of the audit, and we reported that we would be unable to do so until the objection had been determined.

We have now determined the objection.

Our conclusion was that there were no issues in relation to the procurement of a corporate spending review, but that the objector raised some valid concerns around the procurement processes in the case of payments to a local supplier for consultancy work. Following a detailed review by Veritau, Council's internal audit service, we understand that the Council is considering the further action that may be required in the light of the findings of that review.

We produced a separate and more detailed report to outline our conclusions. At the request of the Chief Executive, we have deferred this report from the 20 December 2016 meeting of the Audit and Governance Committee pending further steps that are being taken by the Council in response to the issues arising.

Following determination of the objection, we made arrangements for certification of completion of the audit which formally concluded the 2015/16 audit. The certificate was issued on 6 December 2016.

Our report on the procurement matters will be issued as soon as the actions being taken by the Council allow.

Certification of claims and returns

Work on the 2015/16 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2016.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission.

Additional schemes outside the national arrangements

The Council is required by funding bodies to arrange independent certification of certain grant claims and returns that are now outside the PSAA regime.

As reported in the annual audit letter, we made arrangements for the certification of the Teachers' Pension Return for 2015/16, for an agreed fee of £2,750 plus VAT.

The work on the Teachers' Pensions return has now been completed and reported ahead of the deadline of 30 November 2016.

2016/17 audit planning

Planning for the 2016/17 audit will be the focus of our work in the first quarter of 2017.

03 National publications and other updates

This section contains updates on the following:

1. **Regularity, Compliance and Quality Report 2015-16, PSAA August 2016**
2. **Local Public Service Reform, NAO, September 2016**
3. **Understanding Local Authorities Financial Statements, CIPFA, September 2016**
4. **Alternative Delivery Models, CIPFA, October 2016**

1. **Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016**

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

The audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded '*green*' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

2016 Comparative performance for audit quality and regulatory compliance

BDO Green	Deloitte Green	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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2015 Comparative performance for audit quality and regulatory compliance

BDO Amber	Deloitte Amber	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report can be found at: <http://www.psa.co.uk/audit-quality/>

2. Local Public Service Reform, NAO, September 2016

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens, local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- re-designs services to meet people's needs in a more integrated and effective way.

The report is available on their website.

<https://www.nao.org.uk/report/local-public-service-reform/>

3. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

4. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing. This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

04 Contact details

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

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