



Audit Update Report

City of York Council

April 2018



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1. AUDIT PROGRESS

2017/18 audit planning and interim testing

Our Audit Strategy Memorandum (included on the agenda for this meeting) sets out our audit plan for the year including the identified significant risks and our proposed response to these, as well as matters that we are required to report to you under International Standards on Auditing (UK). Our interim work is proceeding well.

In response to the earlier accounts preparation and audit deadlines, we have brought forward a significant proportion of our testing of income and expenditure items to reduce the volume of testing required during the summer peak. We are pleased to report that officers have assisted by providing direct access to the ledger and allocating dedicated officers to respond to our queries and information requests.

We are also planning to carry out early substantive testing on balance sheet items, such as the valuation of the Council's property portfolio, in advance of receiving the draft accounts.

Objection to the 2016/17 statement of accounts

Members will be aware that we received objections to the Council's 2016/17 accounts from a local elector in respect of two separate items of account. Given the nature of the items of account subject to objection, we were satisfied that they did not give us any reason to believe that the items could have led to a material misstatement in the Council's financial statements. We gave our opinion on the financial statements in September 2017 but were not able to issue our certificate formally closing the audit for the 2016/17 financial year as we had not yet discharged our responsibilities to determine the objections.

Since the Committee's last meeting and in line with the required process, we have written to the elector outlining the information that we have gathered that will inform our conclusions on the objections. We are now in the process of finalising our conclusions and will be writing to the Council and the elector.

2. WIDER UPDATE AND NATIONAL PUBLICATIONS

Update areas

1	Northamptonshire County Council s 114 notice
2	Local Authority Public Accounts Committee
3	NAO Report: Financial Sustainability of Local Authorities

1. Northamptonshire County Council s114 notice

Members will be aware of the recent developments at Northamptonshire County Council. The decision to issue a s114 notice has brought the financial difficulties facing some local authorities into sharp focus and has led to increased press focus.

As part of our Value for Money work at the Council we consider the financial position and performance of the Council, including its arrangements to deliver any savings plans that form part of its medium term financial strategy.

2. Local authorities encouraged to consider local public accounts committees

Research published by the Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University, explores how public services can 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 including:

- A Local Public Accounts Committee 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.
- Mechanisms must be put in place whereby all councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies.
- 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.

The full report is available to download on the APSE website.

<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/>

2. WIDER UPDATE AND NATIONAL PUBLICATIONS (CONTINUED)

3. NAO report: Financial Sustainability of Local Authorities

On Thursday 8 March, the NAO published its report on the financial sustainability of local authorities. 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.

The report's main conclusions include:

- The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the previous study.
- Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax.
- Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced.
- Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings.
- The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.
- The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term.
- The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

CONTACT

GARETH DAVIES
PARTNER AND ENGAGEMENT LEAD

T: 020 7063 4310
M: 07979 164 467
gareth.davies@mazars.co.uk

JON LEECE
SENIOR MANAGER

T: 0191 383 6347
M: 07768 775 477
jon.leece@mazars.co.uk