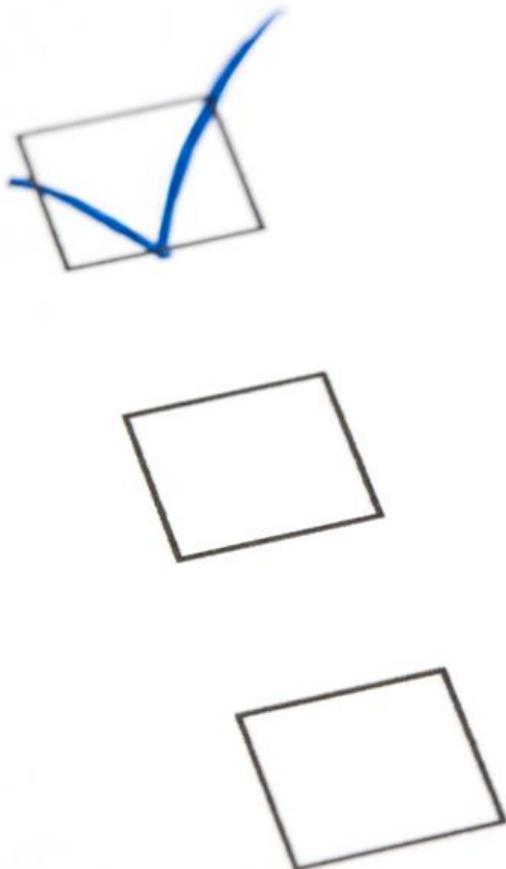


City of York Council



Audit Progress Report

February 2015



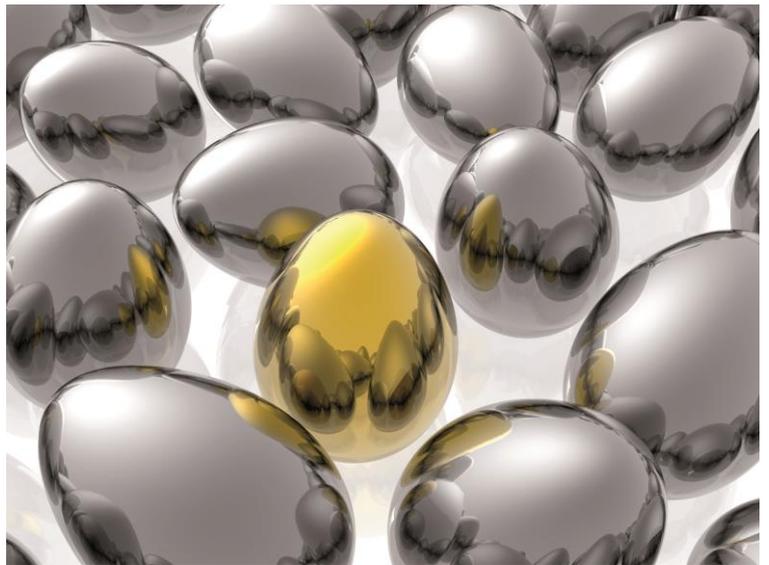
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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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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



Objection to the 2013/14 accounts

Members will recall that there is still an objection to the 2013/14 accounts in relation to the receipts arising from penalty charge notices for Lendal Bridge and Coppergate.

The income relating to the penalty charge notices was £1.8m, which was below the level of materiality for our opinion on the financial statements, but we are unable to certify completion of the audit until the objection has been determined.

At its meeting on 20 January 2014, the Cabinet determined some additional actions in relation to the publicity and governance of arrangements for those wishing to contest their penalty charge notices, following legal advice from Queen's Counsel.

The Council is also seeking an update from the Traffic Penalty Tribunal (TPT) regarding the internal review request by the Council of the TPT decision in relation to Coppergate.

We are making progress in considering the objection, and will take these latest developments into account and seek to determine the matter as quickly as possible.

Other 2013/14 Audit work

All remaining grants work has been completed and is reported in our Annual Grants Report for 2013/14, which is also on this meeting's agenda.

We have also completed the work on the Teachers' Pension Return, which was undertaken as additional fee work outside of the Audit Commission's grants regime.

2014/15 Audit Planning

Our planning for the 2014/15 audit is now well under way.

We are on target to present our Audit Strategy Memorandum to the Audit and Governance Committee on 15 April 2015. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

We have already begun follow up work in relation to adult social care, which was subject to a Value For Money qualification in last year's audit.

Protecting the Public Purse - 2013/14 Fraud Briefing for City of York Council

Members will recall the fraud and law & regulations briefing provided by Mazars and Veritau, your internal auditors, before the June 2014 meeting of the Committee.

Part of the briefing at that time included the outcomes in terms of identified fraud for the 2012/13 financial year.

The Audit Commission has now published its briefing on 2013/14 outcomes, and the slide pack for this is attached as Appendix 1.

The key thing to note when reviewing this information is that the levels of identified fraud are a matter of fact and are not in themselves a good indicator of the strength of your arrangements in this area. The briefing is attached for Members information, but needs to be considered in the context of the Council's overall arrangements, which were the subject of the presentation last June.

National Fraud Initiative – 2012/13 Outcomes and Information for Elected Members of City of York Council

The Audit Commission has also published its briefing on 2012/13 National Fraud Initiative outcomes, and the slide pack for this is attached as Appendix 2.

This needs to be viewed in the same context as the Fraud Briefing above.

03

Emerging issues and developments



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

- Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting.

Emerging issues and developments

Issue / development	Possible action
<p>Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting</p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2014. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>City of York Council met all of the statutory deadlines and received an unqualified audit opinion on 30 September 2014. A qualified VFM conclusion was given on the same date.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2014/12/local-government-financial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/</p>

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Contact details



Gareth Davies

Partner and Engagement Lead

gareth.davies@mazars.co.uk

07979 164467

Gavin Barker

Senior Manager

gavin.barker@mazars.co.uk

0191 383 6300

Address:

Rivergreen Centre

Aykley Heads

Durham

DH1 5TS

Appendix 1

Protecting the Public Purse Fraud Briefing 2014

City of York Council



Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud



Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A '*' symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.



Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)

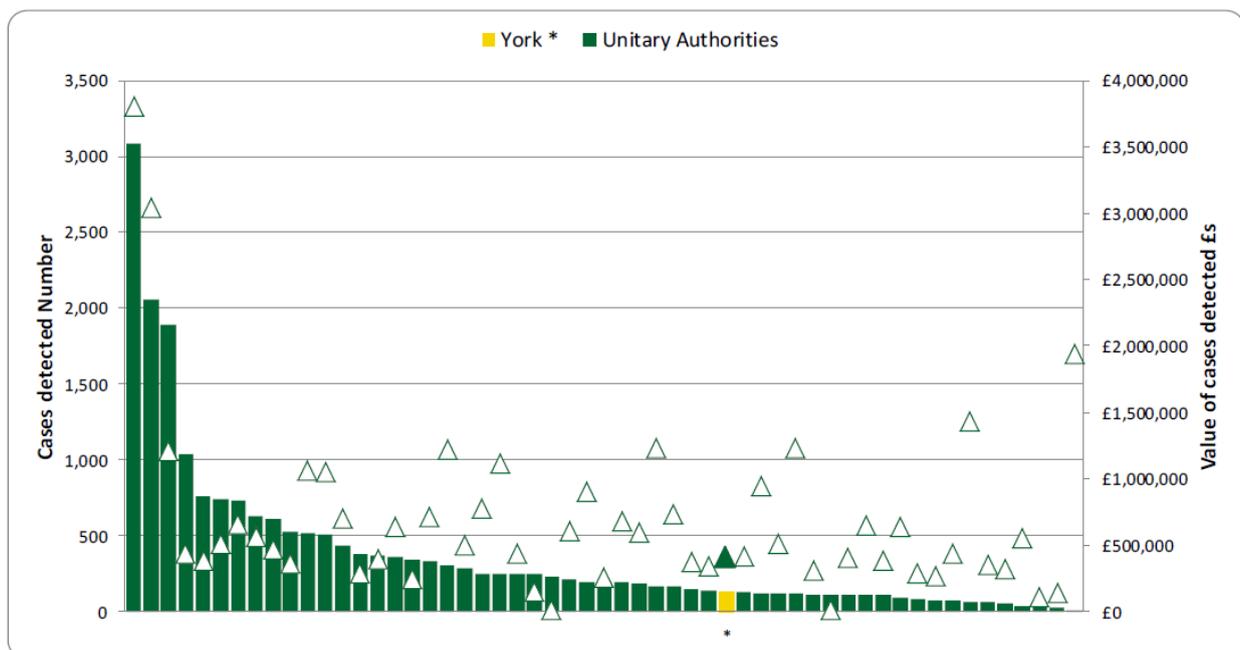


Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)



Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

York

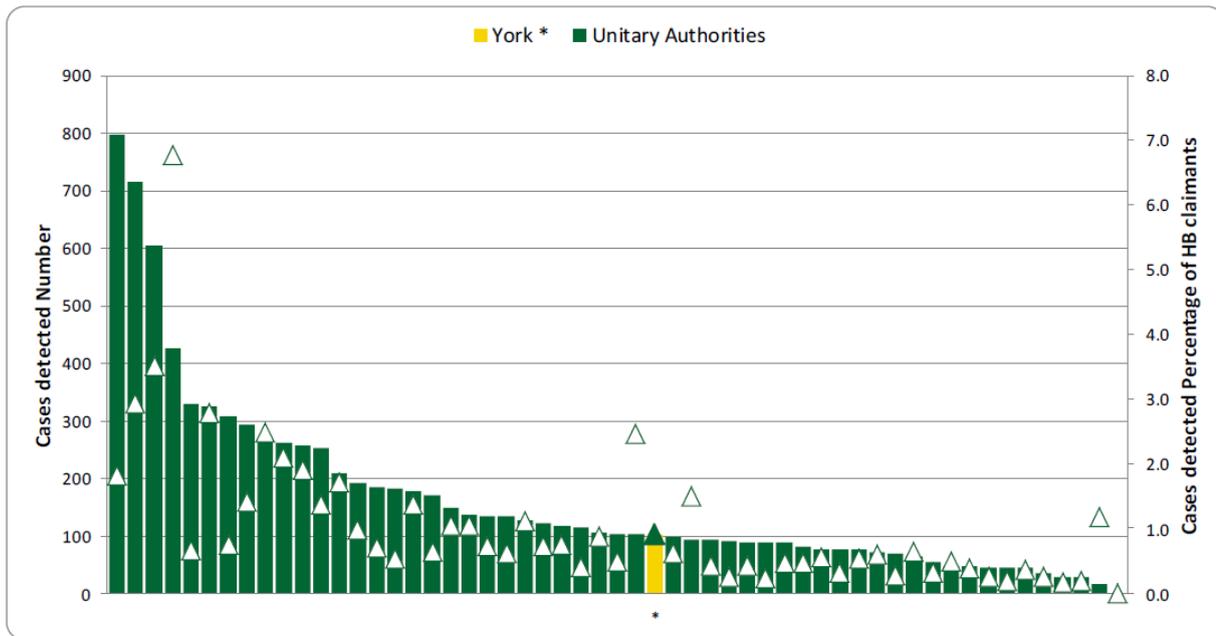


York detected 126 cases of fraud. The value of detected fraud was £404,700 #.

Average for other Unitary Authorities: 374 cases, valued at £699,305



Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14 Total detected cases, and as a proportion of housing benefit caseload York

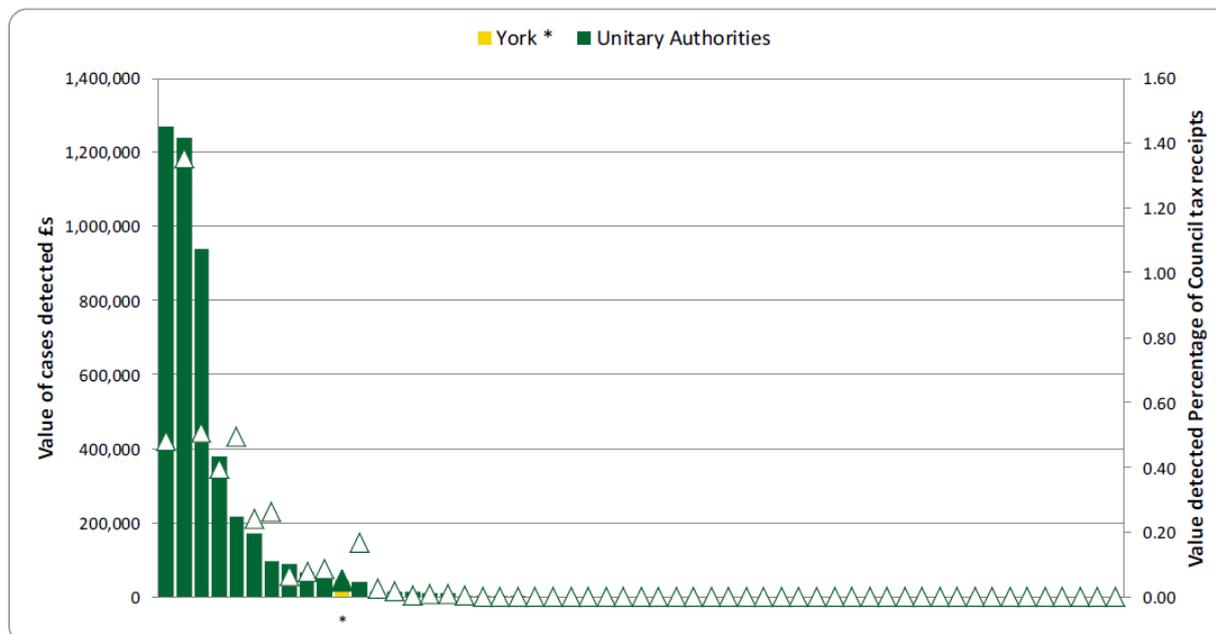


York detected 100 cases of this type of fraud. The value of detected fraud was £350,000.

Average for other Unitary Authorities: 163 cases, valued at £548,784



Council tax discount fraud 2013/14 Total detected value, and value as a proportion of council tax income York



York detected 1 case of this type of fraud. The value of detected fraud was £42,000.

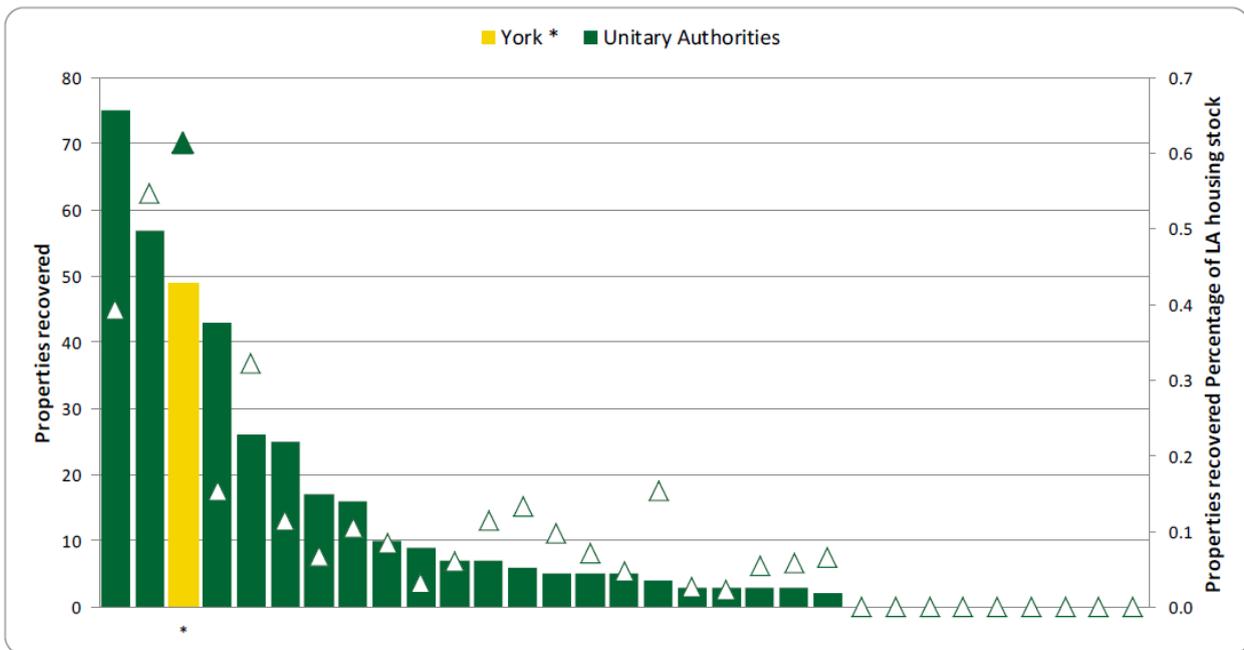
Average for other Unitary Authorities: 173 cases, valued at £85,647



Social Housing fraud (only councils with housing stock) 2013/14

Total properties recovered, and as a proportion of housing stock

York



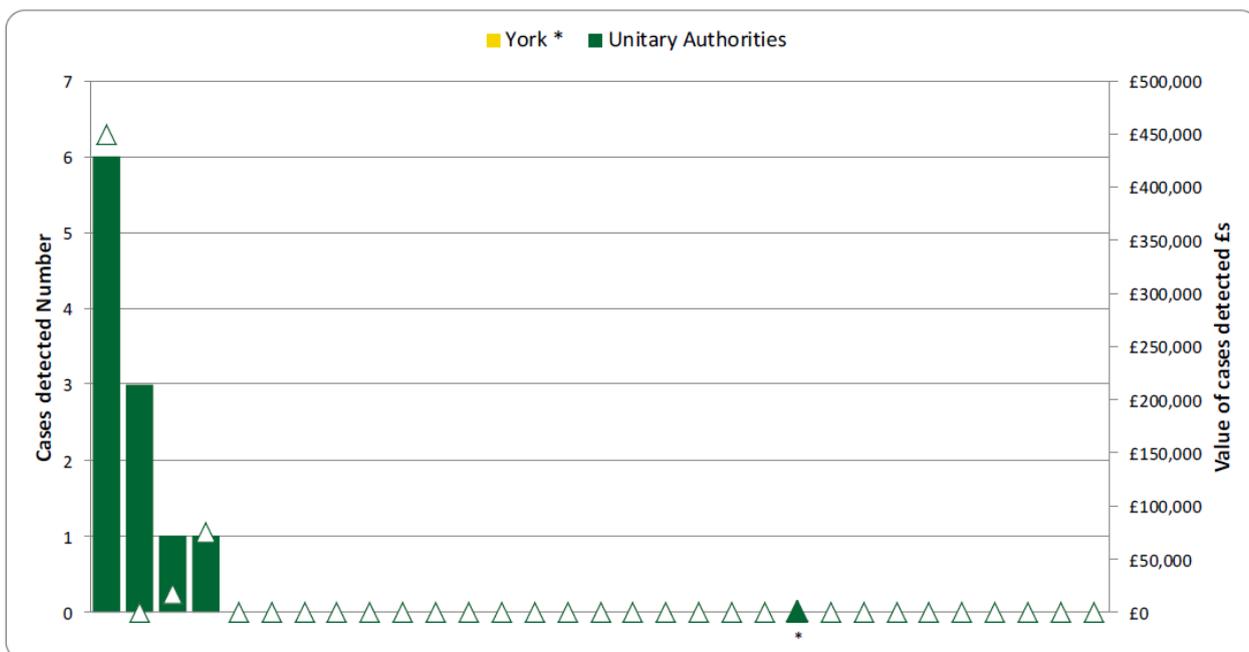
York recovered 49 properties.
Average for other Unitary Authorities with housing stock: 11 cases



Right to buy fraud (only councils with housing stock) 2013/14

Right to buy cases and value

York

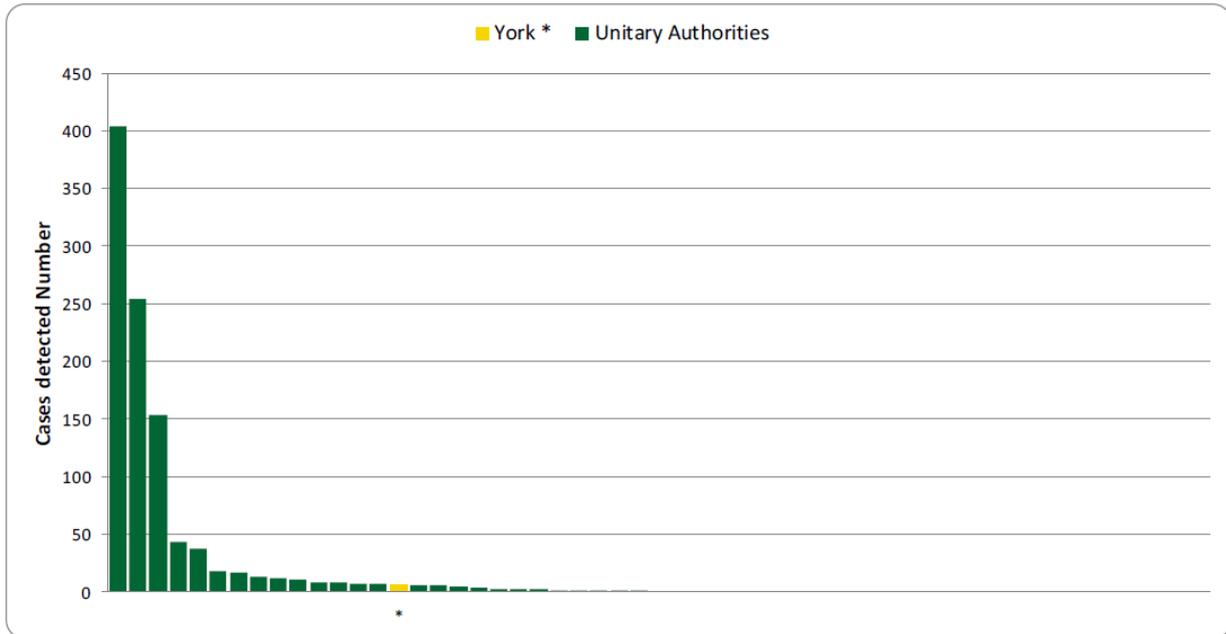


York did not detect any cases of this type of fraud.
Average for other Unitary Authorities with housing stock: 0.4 cases



Disabled parking (Blue Badge) fraud 2013/14

York



York detected 6 cases of this type of fraud.
Average for other Unitary Authorities: 19 cases



Other frauds 2013/14

York

Procurement: York did not detect any cases of this type of fraud.
Total for other Unitary Authorities: 25 cases, valued at £832,190

Insurance: York did not detect any cases of this type of fraud.
Total for other Unitary Authorities: 34 cases, valued at £988,636

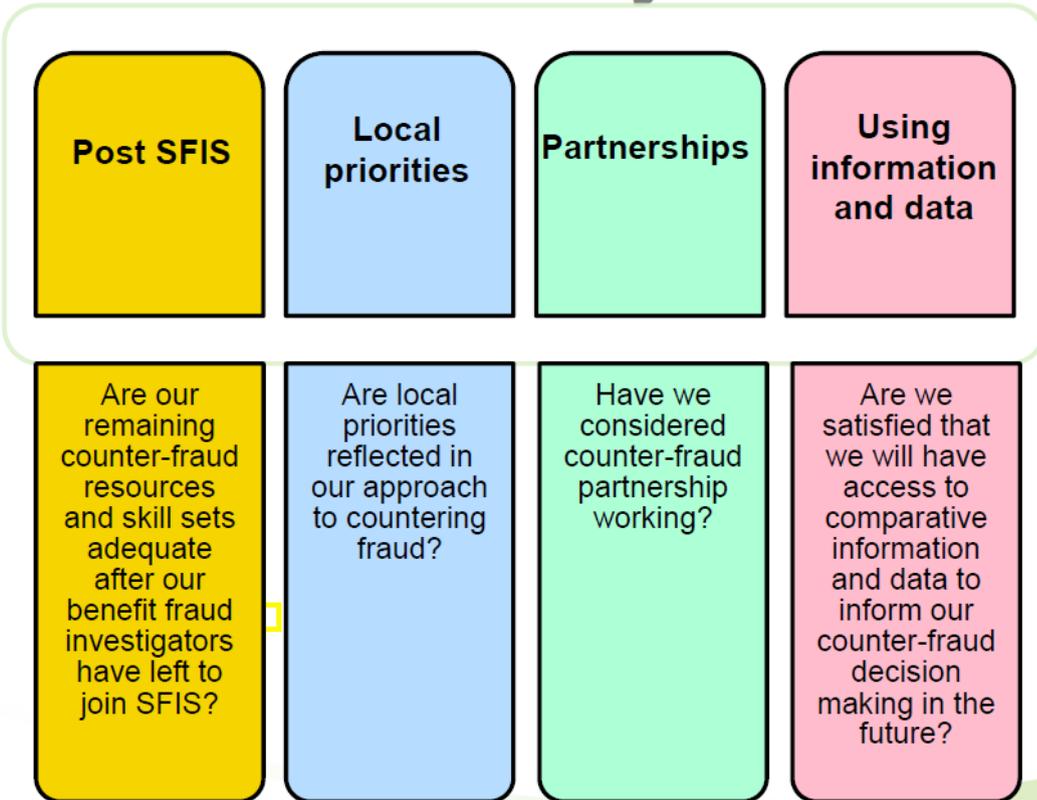
Social care: York detected 17 cases of this type of fraud. The value of detected fraud was £12,500.
Total for other Unitary Authorities: 30 cases, valued at £718,879

Internal: York detected 2 cases of this type of fraud. The value of detected fraud was £700.
Total for other Unitary Authorities: 318 cases, valued at £1,029,798

*Correctly recording fraud levels is a central element in assessing fraud risk.
It is best practice to record the financial value of each detected case*



Questions elected members and decision makers may wish to ask



Appendix 2

National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

City of York Council



Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation



We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)



We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact nfiqueries@audit-commission.gsi.gov.uk

Background to the NFI



The NFI National Report

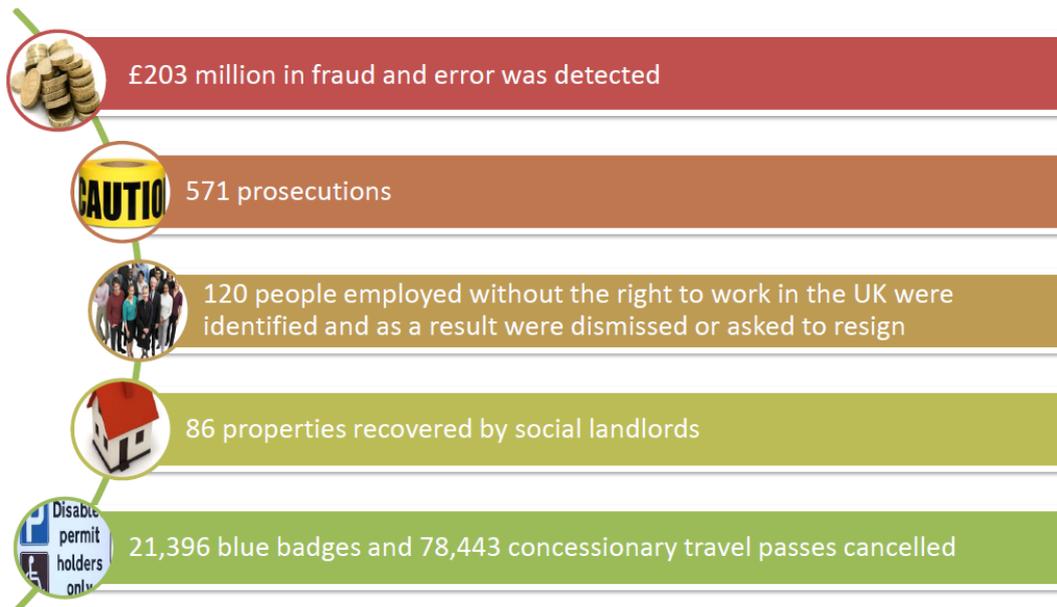
Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report

The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014

The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud

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Key Outcomes of the 2012/13 exercise - across England



The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

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Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.



The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

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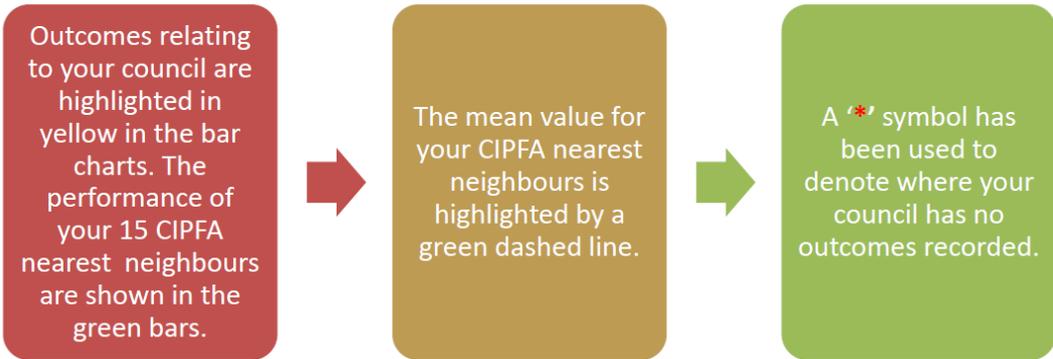
Activity and Engagement with NFI – City of York Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
City of York Council	8% (798)	34% (689)
CIPFA nearest neighbours (Mean)	20% (1,963)	55% (1,173)
Unitary Councils (Mean)	28% (2,903)	57% (1,384)

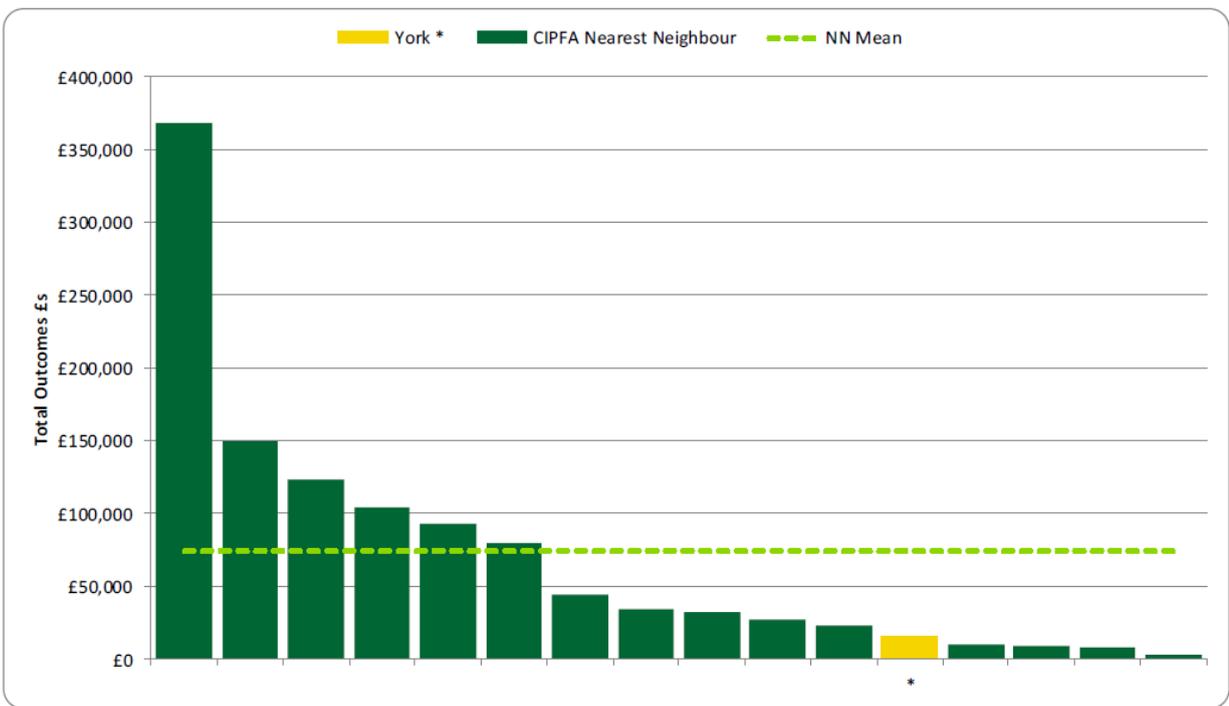
The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at http://www.cipfastats.net/default_view.asp?content_ref=2748

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Understanding the bar charts

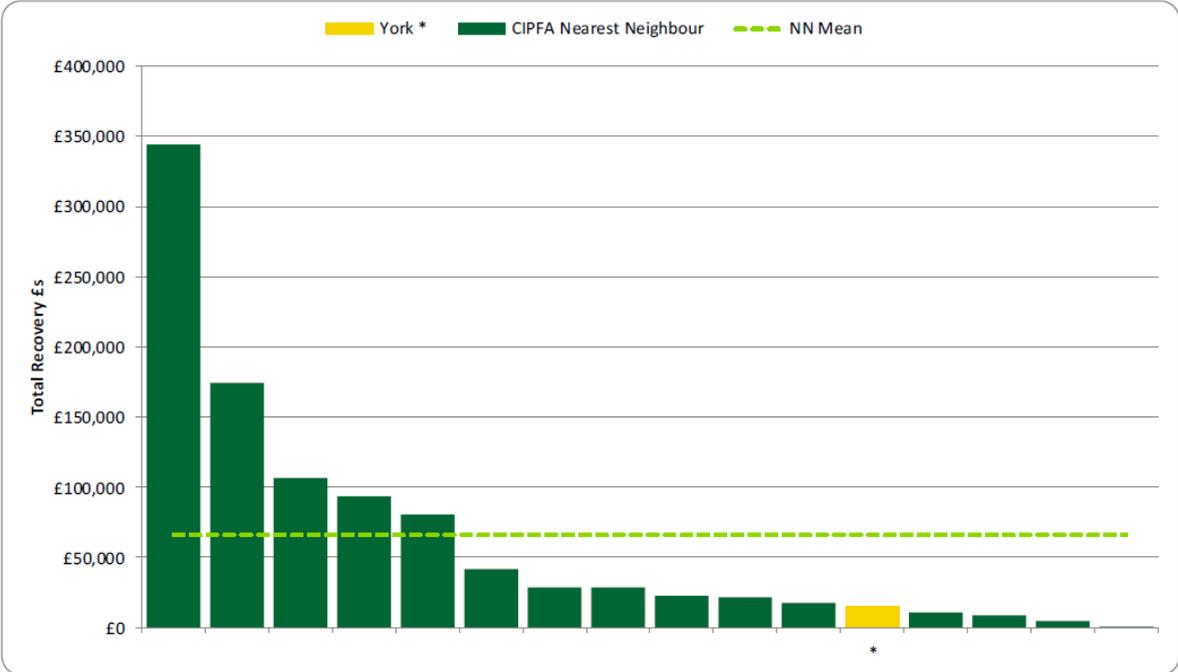


Total NFI Outcomes – City of York Council



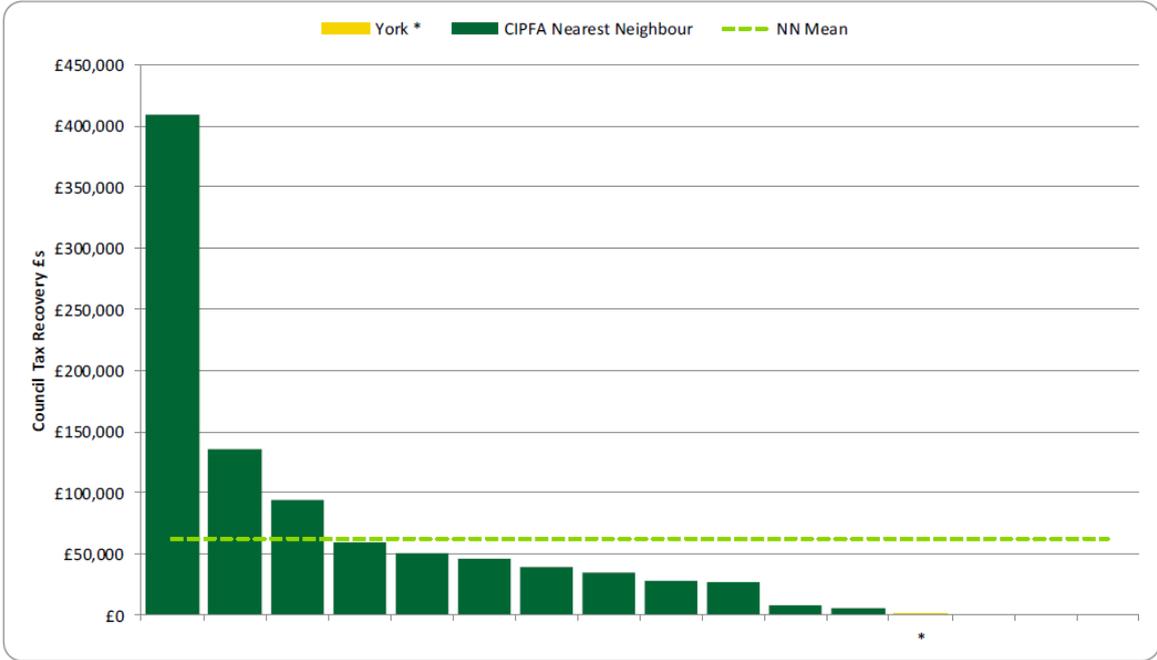
Please note outcomes from the NFI housing waiting lists pilot and council tax outcomes recorded in the NFI 2010/11 web application and FMS web application have not been included in this analysis.

Total NFI Recovery – City of York Council



Please note this excludes council tax recovery recorded in the 2010/11 web application and FMS web application.

NFI Council Tax Outcomes – City of York Council



Data relates to outcomes recorded in the 2010/11 web application and FMS web application.

Questions for Elected Members and Decision Makers

The NFI in our council

- ❑ What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?

Maximising results

- ❑ Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?
- ❑ What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?

Broadening our council's engagement with the NFI

- ❑ Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

The NFI fit with wider counter-fraud policies

- ❑ How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

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Glossary

Council tax outcomes	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
Flexible matching service	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
Mandatory participants	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
NFI web application	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
Outcomes	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
Pilots	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
Recommended data matches	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
Recovery	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
Voluntary participants	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

nfiqueries@audit-commission.gsi.gov.uk

