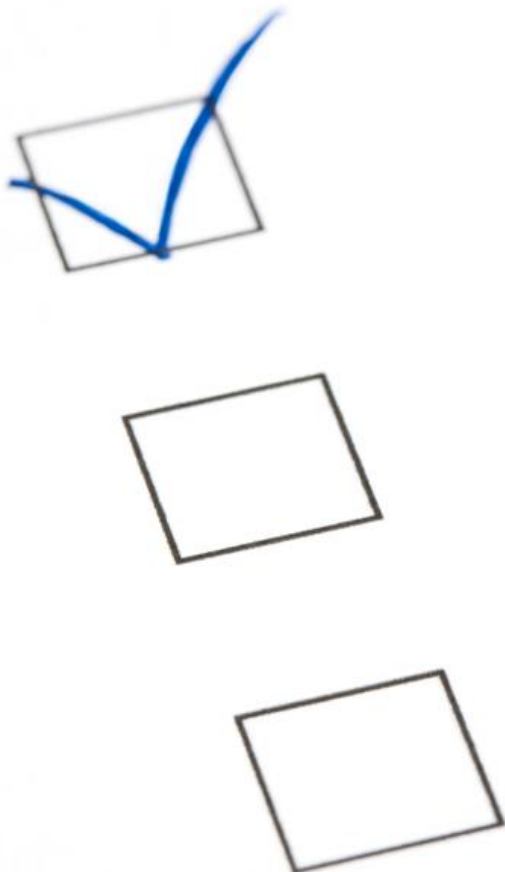


City of York Council



Audit Progress Report

July 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

The Director of Customer and Business Support Services certified the Council's financial statements for 2013/14 on 30 June 2014, in accordance with the requirements of the Accounts and Audit Regulations 2011.

We are now in the most intensive phase of our audit, where we carry out testing of the assertions in the financial statements, substantively testing all material balances and items of account, and reviewing the detailed disclosures in the statements. This work is being carried out in accordance with the methodology set out in our Audit Strategy Memorandum, considered by the Audit and Governance Committee in April 2014.

We will report our conclusions on the audit, prior to the approval of the 2013/14 financial statements, at the September meeting of the Committee.

VFM conclusion

Adult social care services

In last month's Audit Progress Report we identified an additional risk for our value for money conclusion relating to adult social care services. We are now able to summarise our findings from the work we have undertaken to assess this risk.

Our view is that financial management and commissioning in the adult social care service needs to improve and this service has not responded quickly and effectively enough to the challenges that it faces. If the underlying financial pressures are not robustly addressed and actions to secure significant future base budget reductions are not effective, there is a risk that the Council will not be in a position to deliver the best possible value for money in adult social care services. Of critical importance to the delivery of sustained improvement is a review of existing contracts and a new commissioning approach that secures the required services at an affordable price.

It is important to understand the context of this conclusion and the Council's response to the issues raised, and this is set out below.

Context to our conclusion in relation to adult social care

Like most councils, City of York Council faces budget pressures arising from an increasing demand from an ageing population. In addition, the Better Care Fund and the Care Act provide both a challenge and an opportunity to work with health colleagues and providers, to develop more integrated and innovative service solutions.

The aim is to promote and facilitate people living more independent and fulfilled lives where they can, enabling people to take more control of their own care whilst dealing with the reality of decreasing resources.

The Council has recognised these challenges. The Chief Executive and Corporate Management Team sought our assistance in assessing the adult social care service's ability to manage the financial pressures. In addition, the service was identified as a key part of the Council's transformation programme to deliver better services with reduced resources.

We recognise that these are difficult challenges to face, and that the Council has a dedicated workforce that is committed to doing the right things for those requiring adult social care services in the City of York.

However, the view we formed was that the service was not responding quickly enough or effectively enough to the challenges it faced. In particular, we found that there was an urgent need to:

- improve financial management and develop a much better understanding of and ownership of budgets within adult social care services;
- improve performance information obtained from the care management system, to make it easier to link activity to costs and manage the service more effectively;
- work with partners to reduce delayed discharge from hospital, which is in the worst quartile when compared to the performance of other authorities;

- secure efficiencies and increased flexibility by encouraging user choice through wider use of direct payments (currently, take up of these options is in the lowest quartile compared to other authorities);
- revise the commissioning approach to develop a more responsive market place, encouraging a wider range of providers, a more flexible approach and more innovative service options. This needs to include high quality and cost effective re-ablement services and preventative interventions that will in turn reduce the need for more intensive and longer term support.

The Council's response to our conclusion in relation to adult social care

We are pleased to report that the Chief Executive has recognised that insufficient progress had been made and has instituted an accelerated recovery and improvement process, working closely with the Director of Health and Well-Being and others.

An action plan is being developed in response to our findings, and we understand that Members will be updated elsewhere on tonight's agenda on the progress that is being made.

We will continue to work closely with the Chief Executive and other officers as recovery and improvement action is implemented, and we will assess progress as part of future value for money conclusion work.

Management processes and oversight by those charged with governance

We have a good understanding of your governance arrangements but each year we write to you to formally update our understanding in accordance with auditing standards. Our request focuses on your arrangements to prevent and detect fraud and corruption, maintain effective internal controls and comply with law and regulations. We also seek information on your arrangements for identifying related parties.

We have received the attached letters from the Director of Customer and Business Support Services (on behalf of management) and the Chair of the Audit and Governance Committee (on behalf of those charged with governance) – see Appendices 1 and 2.

We will consider these responses further as part of our audit work.

In addition, we have arranged to provide a briefing on fraud and law and regulations to members of the Audit and Governance Committee outside of the formal agenda prior to this evening's meeting. The briefing is being held jointly with your internal auditors, Veritau, and will give us an opportunity to discuss your arrangements in more detail.

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Emerging issues and developments



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

- New proposals to bring forward the accounts and audit timetable from 2017/18 and other proposals relating to local audit
- Role of the National Audit Office (NAO) in local audit
- Report on the National Fraud Initiative (NFI)
- Oversight of audit quality

Emerging issues and developments

Issue / development	Implications
<p>New proposals to bring forward the accounts and audit timetable from 2017/18 and other proposals relating to local audit</p> <p>Members will recall that previous Audit Progress Reports have referred to consultation on proposals to bring forward the accounts production and audit timetable.</p> <p>New proposals have now been made by DCLG, which will bring the accounts production deadline forward by one month from 30 June to 31 May from the 2017/18 financial year. The audit deadline will come forward by two months from 30 September to 31 July at the same time.</p> <p>The rationale from the consultation is set out below:</p>	<p>The changes in the accounts and audit deadline will have a significant impact on the Council's arrangements.</p> <p>More information on the latest proposals: https://www.gov.uk/government/consultations/local-audit-regulations</p>
<p>4.6 In relation to the bringing forward of the timetable for Category 1 authorities; whilst Ministers acknowledge the challenge that this will involve both for the authorities affected and their auditors, the proposal is firmly in line with wider Government moves to improve local government accountability to the public. The points made in the consultation responses about the complexity and length of local authority accounts are acknowledged, and Government will be working with the Chartered Institute of Public Finance and Accountancy to support their current initiatives to simplify the accounts and make them easier for local people to understand. The introduction of a requirement for an explanatory narrative to accompany the statement of accounts is a first step in the necessary changes.</p> <p>4.7 The Government proposes to bring forward the existing dates of 30 June and 30 September to 31 May and 31 July as from the accounts for 2017-18 for accounts being signed and certified by the Responsible Financial Officer and then approved and published. This period of notice is intended to give authorities time to make the necessary changes in their processes, and auditing firms time to adjust their business models accordingly. But it is hoped that authorities will move to the new timetable as soon as they can; some indeed already comply. No change is proposed in the timetable for Category 2 authorities.</p>	

Emerging issues and developments

Issue / development	Implications
<p>Role of the National Audit Office (NAO) in local audit</p> <p>The National Audit Office (NAO) has published a paper outlining its new role in local audit under the Local Audit and Accountability Act 2014.</p> <p>This includes:</p> <ul style="list-style-type: none">• preparing the Code of Audit Practice; and• Value for Money studies.	<p>For information</p> <p>http://www.nao.org.uk/reports/the-naos-role-in-local-audit/</p>
<p>Report on the National Fraud Initiative (NFI)</p> <p>The Audit Commission has published its National Fraud Initiative (NFI) annual report recently.</p> <p>The NFI is a data matching exercise which compares information held by and between around 1,300 organisations including councils, the police, hospitals and almost 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments, all hosted on a secure website. When there is a match, there may be something that warrants investigation. For example, when data matching shows a person listed as deceased and also in receipt of a pension, the relevant body will investigate and if appropriate, stop pension payments.</p> <p>The report is supported by case studies of successful outcomes both in the private sector and public sector.</p>	<p>City of York Council participates fully in NFI.</p> <p>http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/</p>

Emerging issues and developments

Issue / development	Implications
<p>Oversight of audit quality</p> <p>Our regulator, the Audit Commission, also publishes quarterly and annual reports on the quality of the work it has outsourced to the firms. There are no significant issues highlighted in respect of Mazars LLP.</p> <p>We have also recently received our annual report on quality from the Audit Commission; this demonstrates our overall good performance in respect of quality and other standards.</p>	<p>For information</p> <p>http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/</p>

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Contact details



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Appendix 1

Management arrangements letter
from the Director of Customer and
Business Support Services

Appendix 2

Oversight of management letter from the Chair of the Audit and Governance Committee (on behalf of those charged with governance)