

Progress report

City of York Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 This update report reflects progress on our external audit work as at the end of March 2011.

2 The report also tells the Committee about other matters of interest, including:

- 2011/12 fees, and Audit Commission rebates;
- future audit arrangements; and
- work undertaken nationally by the Audit Commission.

Progress on the 2010/11 audit

3 We presented our 2010/11 Opinion Plan to the February meeting of the Audit and Governance Committee. This plan set out our initial assessment of audit risk, and the work that we will undertake in order to meet Code of Audit Practice responsibilities. We confirmed an audit fee of £248,900 as previously agreed, and this remains appropriate.

Financial statements audit

4 Our detailed testing on the Council's financial systems is now complete and we have arranged to commence IFRS restatement work on 18 July 2011. We are also progressing grant claims certification work, particularly on housing and council tax benefit claims, which will help to confirm key balances and transactions in the accounts.

5 We expect to receive unaudited financial statements following certification on 30 June 2011, and all supporting working papers by 1 August 2011. This should give us sufficient time to complete our audit work and meet the statutory opinion deadline of 30 September.

6 The only additional issues arising since our last audit progress report relate to social care payments, where it appears that the operation of some detailed processing controls has changed during the year.

- In previous years, exception reports have been used to identify and review high value or unusual items in the payment run. This is no longer the case. Staff visually scan the list of individual payments on screen, but no reports are produced so there is no evidence of the control taking place.
- Contracts for the provision of care should be signed by all of the parties involved (the customer, the Council, the care provider, and any third party, if applicable), before payment is made. In practice the need to commence care packages can be pressing, and payments will be released before this date if authorisation is given by the budget holder.

7 These procedure changes have been reported for information, but have had no significant impact on our audit work or testing strategies as we are satisfied that adequate compensating controls exist elsewhere in the system.

Value for money conclusion

8 Our assessment is based on two criteria, specified by the Audit Commission, related to your arrangements for:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and improving productivity and efficiency.

9 Our assessment has progressed according to plan. The only outstanding work is to review the Council's year end financial statements, annual governance review, and performance report.

10 We will include the main findings from our Value for Money work in the Annual Governance Report presented at September's Committee meeting.

Audit Advisory Services

11 We have recently established a national Advisory Services team. The purpose of the team is to provide clients with more responsive and flexible non-audit support in areas where our staff have particular expertise.

12 Stephen Gregg, our regional lead on Advisory Services, has recently met with the Director of Customer and Business Support Services to discuss the team's remit, staff profiles and product offers in more detail. Some potential for work on asset management has been identified and is being pursued but we would also welcome any suggestions from elected members.

Looking ahead

2011/12 audit fee

13 We have now completed our initial risk assessment and audit planning work for 2011/12, and agreed a fee of £224,000 with the Director of Customer and Business Support Services. This is the scale fee set by the Audit Commission and represents a 10 per cent reduction on the previous year.

14 The fee excludes work required by government departments on certifying grant claims. We estimate that less work will be required on 2011/12 claims. The actual charge will be based on the claims certified; at this stage we estimate a charge of approximately £49,280.

Audit Commission rebates

15 When confirming the work programme and scales of fees for 2011/12 in February 2011, the Commission agreed, subject to affordability, to make additional rebates in 2011/12.

16 The Commission has now decided to give all principal audited bodies a rebate of 8 per cent on their audit fee for 2011/12. The rebate will be paid directly to audited bodies in October.

Future audit arrangements

17 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG has consulted on its proposals for the new audit regime and plans to publish a draft Bill for further scrutiny and comment later in the year. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

18 The Commission is working with DCLG to develop an approach to transferring its existing in-house Audit Practice into the private sector. DCLG's provisional view is that its preferred route is to ask the Commission to invite bids for all existing Audit Practice audit appointments from 2012/13 onwards from private sector firms. If ministers confirm this outsourcing route, the staff of the Commission's in-house Audit Practice intend to submit a bid for the work on offer, probably as a joint venture, which could form the basis of a new employee-owned, or mutual, organisation. The aim will be to provide a distinctive and competitive choice for local public bodies.

19 We have discussed developments with chief officers and have reaffirmed the Commission's, and our own, commitment to delivering a high quality and effective audit service right through to whatever date the transfer to new arrangements takes place. We will continue to keep you up to date on developments.

Other developments and national publications

20 This section of the report promotes some of the national work undertaken by the Audit Commission over the last three months. It highlights various areas of interest, some of which may prompt further consideration by officers and/or members. Where relevant, specific references to the position at the Council are included. The full reports can be found on the Commission's website at:

<http://www.audit-commission.gov.uk/localgov/Pages/default.aspx>

21 Examples of notable practice in local government and other sectors, identified from local work by auditors as well as national studies, are also available on the website.

Final Countdown: IFRS in local government

22 In March 2011 the Commission published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government. It makes comparisons with an overall assessment taken in November 2009 and July 2010.

23 The overall message is that even those authorities with issues to resolve still have time to implement IFRS successfully, if they take appropriate action. However, they need to act now, as problems that arise later in the final accounts period may lead to added costs for the authority or material errors in draft accounts.

24 The report suggests that authorities should:

- complete any key outstanding IFRS implementation tasks, such as restatement work, without further delay;
- integrate any remaining tasks into their accounts closedown timetable;
- leave enough time to prepare the increased number of IFRS disclosures and to resolve any remaining financial reporting issues;
- ensure their accounts closedown timetable is realistic, building in enough time and staff resource to deal with issues that will inevitably arise during the closedown period;
- keep their auditors informed on their progress in resolving IFRS financial reporting issues and seek to agree time in advance to review work as they enter the closedown period;
- continue to discuss progress of IFRS implementation with their audit committees; and
- take steps now to ensure that IFRS knowledge and skills are captured and embedded, to enable good financial reporting in future years.

Better value for money in schools

25 At the end of March the Commission published a set of briefings to help schools use all their staff – whether teachers, teaching assistants, or administration and finance staff – as efficiently as possible. The briefings build on the national report Valuable Lessons, published in 2009

26 England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces. Each school in the country has its own circumstances, its own constraints and priorities, but now every school faces the same challenge of tightening budgets.

27 The briefings explain the cost implications of different ways of managing a school's workforce, and aim to help school heads, governing bodies and councils to control costs without compromising educational attainment. They look at four areas where schools have scope to improve efficiency:

- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;
- approaches to covering for staff absence, including supply teachers; and
- the size, cost and composition of the wider (non-teaching) school workforce.

Services for young people: self-assessment pack

28 This free self-assessment pack, published in April 2011, is a collaboration between the Audit Commission and the Confederation of Heads of Young People's Services (CHYPS). It aims to help make sure money spent on services for young people is well used and has the right impact.

29 Already piloted in six areas, it has been credited with:

- helping statutory and voluntary providers to begin longer-term reviews of provision, staffing and costs;
- increasing self-awareness among managers and staff about council youth services;
- stimulating discussion between partner organisations on improvement and how to achieve better value for money;
- identifying some 'quick wins' – for example, doing more to celebrate young people's achievements; and
- generally raising the profile of youth services.

30 The pack is organised into five modules which take users through a structured assessment of their services, drawing on their own and comparative data about spending and outcomes. It then helps them prepare an action plan to provide the best value for money services for young people, specifically tailored to their area and its resources.

Road maintenance

31 Between them, council highways authorities are responsible for 98 per cent of the country's roads, spending a total of £2.3 billion in 2009/10. In the last national Place Survey, roads were a higher priority with residents than crime or affordable housing.

32 Road traffic is expected to increase by more than 30 per cent in the next 15 years, but highways budgets are facing significant cuts. Councils must therefore strike a difficult balance between:

- dealing on a responsive basis with "worst first" and surface issues such as patchworks and potholes;
- undertaking planned maintenance work which will prolong a road's useful life; and
- minimising disruption for road users.

33 However, a new Commission report shows how councils can get more for their money. Cost-saving collaborations with neighbours, techniques to show when road maintenance and investment will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience are all recommendations from [Going the Distance: Achieving better value for money in road maintenance](#).

Improving value for money in adult social care

34 Social care services have seen an increase in demand because of an ageing population and because people with learning disabilities are living longer. Councils have reacted positively to these pressures by changing the way they operate, by giving more people personal budgets and spending more on prevention.

35 But the pressures on budgets are growing and, over time, more and more people will need help. Councils will need to look more widely to deliver greater savings and make a real difference to peoples' lives in the longer term.

36 This Audit Commission briefing identifies nine areas in which councils can make changes and deliver efficiency savings. They are procurement; staffing; back office; assessment and care management; prevention; personalisation; changing the balance of care; partnership and charging. Most councils have addressed a combination of these factors, but no one council has made changes to all nine.

37 This publication is the first in a series of briefings looking at value for money in social care, and highlights examples of councils who have made substantial savings in these areas.

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