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M A Z A R S

City of York Council

Audit Progress report

January 2013

Contents

1.	Introduction	2
2.	Transition from the Audit Commission	2
3.	Progress on the audit	2
4.	Forthcoming Events	3
5.	Audit Commission publications	3

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1. Introduction

The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight recent Audit Commission reports and other publications which may be of interest to Committee members.

If you require any additional information, please contact your Engagement Lead or Senior Manager using the contact details below:

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Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector – including Academies, Universities, Sixth Form Colleges and Housing Associations (both Internal and External Audit).

2. Transition from the Audit Commission

As from 1st November 2012, former Audit Commission staff transferred to Mazars. Your audit Engagement Lead remains unchanged and we are committed to continuing to provide a high quality audit.

3. Progress on the audit

We are making good progress with our audit planning and risk assessment process, having recently met with the Council's central finance team, Internal Audit and senior officers. We have issued our 2012/13 fee planning letter, confirming that at this stage we consider the Audit Commission's published scale fee to be appropriate.

We will bring our Audit Strategy Memorandum to the next Audit and Governance Committee. This is a comprehensive report, required by auditing standards. It sets out our overall audit approach as well as any key risks we have identified for the audit and covers both the opinion on the financial statements and the Value for Money conclusion.

Work is currently under way to document and test the Council's key financial systems, and to update our Value for Money and IT risk assessments.

4. Forthcoming events

Mazars is hosting Chief Accountants' workshops for public sector clients on 25 and 27 February 2013 in Durham and York, as part of its commitment to ensuring smooth and successful audit delivery in this important first year.

We have also held early discussions with the Council's chief accountant to confirm, at a local level:

- Closedown arrangements
- Action taken in response to issues raised in 2011/12
- New Code requirements.

5. Audit Commission publications

Reducing the cost of assessments and reviews

This is the third in a series of briefings looking at how councils and their partners can achieve better value for money in adult social care. It focuses on the assessment and review process and examines how some councils' have managed to keep their costs low whilst continuing to meet vulnerable people's needs.

A benchmarking tool and methodology are available on the Commission's website to help councils compare their costs, staffing and activity levels against other similar authorities. Where costs are high, councils should investigate the reasons, assess how local circumstances affect their costs, and identify the scope for making savings. But all councils, including those with relatively low costs, can use this tool to identify the scope for further savings.

Protecting the public purse

This report finds that councils are targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12 totalling £179 million. But it urges them not to drop their guard, as new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools. An updated checklist also gives organisations an opportunity to consider how effective they are at responding to the risk of fraud

Striking a Balance

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for elected members and council officers to consider in developing medium-term financial plans and setting annual budgets.

The report encourages English councils to focus more attention on the 2.9 billion set aside in their reserves, and calls for greater clarity from councils about the reasons for holding reserves.

Tough times

The report finds that in 2011/12, councils largely delivered their planned savings and in many cases added to reserves. However, auditors reported that signs of financial stress were visible. A sizeable minority of councils had to make additional in-year cuts, seek additional funding, or restructure efficiency programmes in order to deliver their budgets. The report says that auditors are concerned that 12 per cent of councils are not well-placed to deliver their 2012/13 budgets. They feel that a further 25 per cent will cope in 2012/13, but may struggle in the remaining years of the Spending Review period.

Auditing the Accounts 2011/12

This report summarises the results of auditors' work for 2011/12 at councils, fire and rescue authorities, police bodies, other local government bodies, parish councils and internal drainage boards.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2012 at 98 per cent of councils, all fire and rescue authorities, 97 per cent of police bodies, all other local government bodies, 97 per cent of parish councils and 97 per cent of internal drainage boards. This is an improvement for all types of body compared with 2010/11.

