

City of York Council

Audit Progress report

June 2013

Contents

1.	Introduction	2
2.	Summary of audit progress	2
3.	National publications, events and other updates	5
	Contact details	7

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 Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. Introduction

The purpose of this paper is to update the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. We have also included emerging issues and developments which may be of interest to the Committee and, where relevant, recommendations that you may wish to consider.

If you need any additional information please contact me or your Senior Manager using the contact details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out across the UK public sector. It also details the full extent of services Mazars provides within the UK and abroad.

2. Summary of audit progress

Good progress has been made to date on the 2012/13 audit:

- Our Audit Strategy Memorandum was presented to the April meeting of the Audit and Governance Committee. This set out the risks we have identified in terms of both our opinion on the financial statements and the value for money conclusion, and our overall approach to the audit. Audit risks will be reviewed, and our testing strategy finalised, following receipt of your accounts however at this stage we have no changes to report to you.
- Work has been undertaken to confirm our understanding of your key financial systems. This work has included reviewing the design and operation of key controls, walking through transactions to test our understanding in practice, and compliance testing cash receipts.
- We have also reviewed the Council's overall control environment, including general ICT controls.

- Sample testing on housing and council tax benefit cases and the 2012/13 subsidy claim is under way, and we have completed early substantive work on payroll, social care, rents and NNDR/council tax collection systems.
- We have continued to liaise with Internal Audit to maximise the efficiency of audit processes, and to consider the implications of their findings in terms of our own work.
- Work on the value for money conclusion is well in hand and will be completed following receipt of the 2012/13 financial statements and end of year performance report.

Our work to date has not identified any significant weaknesses that need to be reported to you, except in relation to reconciliations between general ledger account codes, accounts payable/receivable systems and bank statements. Reconciliations are currently completed on an annual basis, as part of preparing the year end accounts, whereas good practice recommends they are completed monthly or at least on a quarterly basis. Compensating controls are in place however, and officers are satisfied that these controls adequately mitigate the perceived risk.

We have set a date of 27 August for the public to exercise their rights of inspection etc. and this date has been advertised. We have discussed current technical accounting issues with the Council at a local level and in addition to this Mazars has held a series of workshops for public sector finance staff on accounting and auditing issues relating to the closedown and preparation of the 2012/13 statement of accounts. The workshop was free for our clients, and your officers attended the event in York in February 2013.

We have agreed a timetable with officers for the audit of your accounts and fieldwork is due to commence on 5 August 2013.

3. Advisory work

Following a meeting with the Director of Customer and Business Support Services, we have been commissioned to undertake a review of adult social care services in relation to:

- the operation and application of controls within care management systems designed to ensure effective budget management;
- the quality of management information to support decision making for assessments, financial and performance data;
- the comparative cost of health related care.
- high level business management arrangements, including budgetary control; variance analysis; market management; and forecasting.

This work is still in its initial stages and our findings will be reported to management in due course. Arrangements have been put in place to manage the perceived independence threat to our audit work, by ensuring that staff engaged in the audit below Director level will not be involved in this review.

3. National publications, events and other updates

VFM profiles and financial ratio tools (February 2013)

The Audit Commission has updated its VFM profile and financial ratios tool for 2011/12 outturn data and these are available to all authorities. We review and consider these profiles as part of our value for money work each year.

http://www.auditcommission.gov.uk/technicaldirectory/vfm1213/5.5_Supporting_VFM_tools_and_review_guides.htm

2013/14 fees and work programme consultation (Audit Commission, December 2012)

The Audit Commission has consulted on its 2013/14 proposed work programme and scales of fees. The Audit Commission proposed that scale audit fees are set at the same level as the fees applicable for 2012/13 and published the final work programme and scales of fees for 2013/14 in April 2013.

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/>

Health and Wellbeing Boards guidance, LGA – February 2013

The Local Government Association has recently published "Health and wellbeing boards - A practical guide to governance and constitutional issues". The guidance explains the background and roles of the boards and progress made in establishing them in England. It also highlights a number of questions councils may wish to consider.

£1 billion of fraud, found! (March 2013)

The National Fraud Initiative (NFI), established in 1996, has helped identify over £1 billion potentially lost to fraud, overpayment or error, across the UK. The outcomes include the prevention and detection of 15,000 cases of pension overpayments worth £450 million, almost 100,000 cases of council tax single person discounts incorrectly awarded worth £160 million and over £250 million of housing benefit overpayments.

<http://www.audit-commission.gov.uk/2013/03/1-billion-of-fraud-found/>

The Future of Public Audit

The Government has published its response to the pre legislative scrutiny report by the draft Local Audit Bill Committee.

<https://www.gov.uk/government/publications/government-response-to-the-pre-legislative-scrutiny-report-by-the-draft-local-audit-bill-committee>

The Bill is now before Parliament. Detail can be found at <http://services.parliament.uk/bills/2013-14/localauditandaccountability/documents.html>

Audit Committees in the Private Sector

The Financial Reporting Council (FRC) has published guidance on the role of Audit Committees in the private sector. Members might find this of interest.

<http://frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Audit-Committees-September-2012.aspx>

Contact details

If you would like further information on any items in this briefing, please contact me or the Senior Manager.

Steve Nicklin
Director
0191 383 6300

Steve.Nicklin@mazars.co.uk

Lynn Worth
Senior Manager
07816 310322

Lynn.Worth@mazars.co.uk