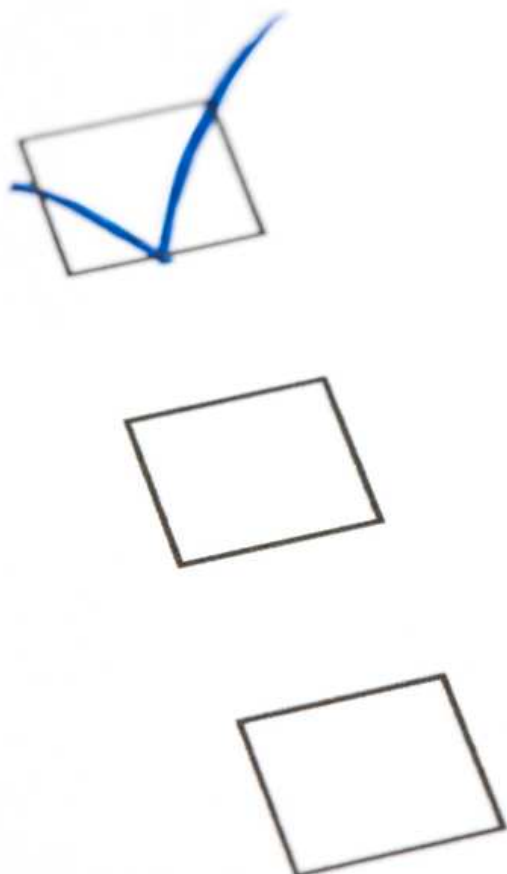


City of York Council



Audit Progress Report

December 2014



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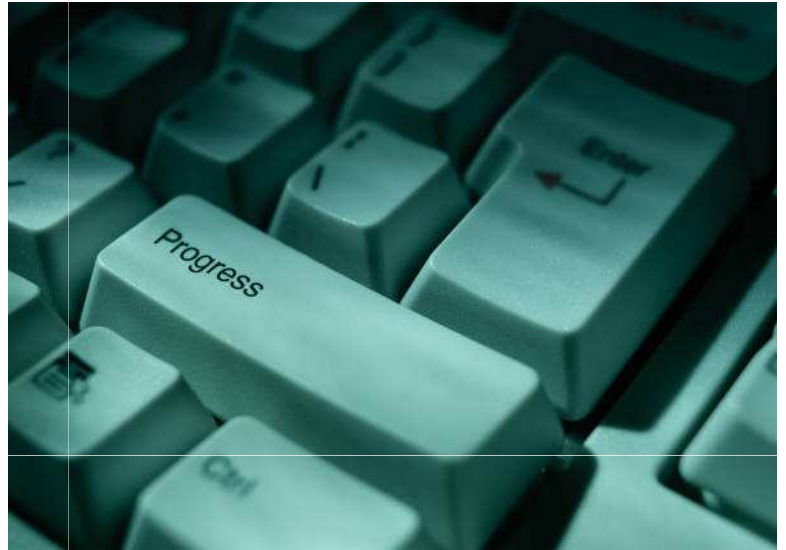
Purpose of this paper

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



Audit of the 2013/14 financial statements

Following the Committee meeting on 24 September 2014, we issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2014. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for weaknesses in budgetary control and financial management in Adult Social Care services, as previously explained to this Committee.

We reported to the National Audit Office (NAO) on 3 October 2014 that the Council's 2013/14 Whole of Government Accounts consolidation pack was consistent with the audited financial statements.

Our Annual Audit Letter for 2013/14 has been issued, and is considered separately on the agenda for this Committee meeting.

We are still unable to formally certify completion of the audit.

Objection to the accounts

Members will recall that we had received an objection to the 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 is below the level of materiality for our opinion on the financial statements. Because of this, we were able to issue an unqualified opinion on the financial statements, but we will be unable to certify completion of the audit until the objection has been determined.

During October and November we have collected representations from the objector, their representative, and the Council, and we have taken preliminary legal advice.

On 17 November 2014, the objection that had been made to the accounts was unexpectedly withdrawn.

On 25 November 2014, another local elector has made an objection on similar grounds.

We also note that the Council is likely to debate its approach to these issues further.

We will need to consider these developments, and take additional legal advice, before determining the objection.

Certification of claims and returns

Work on the 2013/14 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2014.

We have begun work on the Local Transport Plan – Major Projects claim. An additional fee of £2,323 plus VAT has been agreed with the Council and approved by the Audit Commission.

Additional schemes outside the Audit Commission arrangements

The Council is required by funding bodies to arrange independent certification of a range of grant claims and returns that are now outside the Audit Commission regime. We included details of such schemes in our Certification Plan, which was presented to the Committee in April 2014.

In recent weeks we have discussed and agreed engagement terms with the Council, including the procedures to be undertaken and the form of our report, for the Teachers Pensions Return, and a fee of £2,750 plus VAT has been agreed. We have begun this work.

We have not been asked to review any s256 agreements.

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Emerging issues and developments



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

- Regulatory Compliance and Quality Review Programme - Annual report 2014;
- Annual Regulatory Compliance and Quality Report - Mazars LLP;
- 2015/16 proposed fee scales and work programme, Audit Commission;
- Councils' expenditure on looked after children – VFM Briefing;
- NFI information packs;
- Local Authority Accounting Panel (LAAP) Bulletins;
- Transitional arrangements regarding the Local Audit and Accountability Act 2014;
- Protecting the Public Purse 2014, Audit Commission; and
- Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13, Audit Commission.

Emerging issues and developments

Issue / development	Possible action
<p>Regulatory Compliance and Quality Review Programme - Annual report 2014</p> <p>The Audit Commission recently published the outcomes from its monitoring of the performance of all its audit firms. The report concludes that audit quality was maintained in the year following transfer of staff from the Commission's Audit Practice to firms, and the introduction of new firms to the regime. The Commission is satisfied that the risks of audit failure remain low; that all firms are meeting the Commission's regulatory requirements; and that all firms are continuing to produce work to an acceptable standard.</p>	<p>The results of monitoring by the Commission provides the Council and other stakeholders with assurance that high-quality audits are being delivered.</p> <p>The report can be found at http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/</p>
<p>Annual Regulatory Compliance and Quality Report - Mazars LLP</p> <p>This report, published in June 2014, summarises the results of monitoring work by the Audit Commission as described above, for Mazars LLP.</p> <p>The Firm was rated 'Green' overall, and the Audit Commission concluded that the Firm 'has performed well in its first year in the Commission's regime. All of the 2013/14 regulatory compliance indicators have been scored as green. In addition, audited bodies are satisfied with the performance of Mazars as their auditor'.</p>	<p>The report is available from http://www.audit-commission.gov.uk/wp-content/uploads/2012/11/Mazars-2013-14-Annual-Regulatory-Compliance-and-Quality-Report.pdf</p>

Emerging issues and developments

Issue / development	Possible action
<p>2015/16 proposed fee scales and work programme, Audit Commission</p> <p>The Audit Commission is consulting on its 2015/16 proposed work programme and scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission’s closure on 31 March 2015.</p> <p>The Commission is proposing to reduce scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15. It does not plan to make changes to the overall work programme. The 25 per cent fee reduction has been achieved as a result of a recent procurement exercise to retender the work undertaken under older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012.</p> <p>The consultation document also states: “The new contracts awarded in the 2014 procurement are for two years, with the potential for extension by a further three years. The contracts will finish in 2017, or in 2020 if extended. The Commission’s other audit contracts, awarded in 2012, finish at the same time as the 2014 contracts. Extending the contracts to 2020 would ‘lock in’ reduced audit fees, delivering further savings for audited bodies”.</p> <p>The Commission has also highlighted in a press release that it will be returning a further £6 million to its audited bodies in rebates. The consultation ends on 9 January 2015.</p>	<p>The proposed scale fee for City of York Council is £101,682, that is, a 25 per cent reduction on the 2014/15 scale fee of £135,476.</p> <p>http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</p>

Emerging issues and developments

Issue / development	Possible action
<p>Councils' expenditure on looked after children</p> <p>This Audit Commission VFM briefing provides an overview of councils' expenditure on children's social care and looks in more detail at expenditure on children who are looked after, with a particular focus on foster care. The briefing suggests how councils can use national and local data about activity and costs to identify ways of delivering better value for the money they spend.</p>	<p>We provided the Briefing to our key contacts at the Council.</p> <p>The document is at: http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>
<p>NFI information packs</p> <p>The Audit Commission has distributed information packs for elected members with responsibility for finance and audit at councils. Copies were also sent to directors of finance and NFI key contacts for information. The pack brings together key facts about the NFI, the Council's NFI outcomes and comparisons to your nearest neighbours.</p>	<p>Further information on the National Fraud Initiative can be found at http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/</p>
<p>Local Authority Accounting Panel (LAAP) Bulletins</p> <p>CIPFA recently published:</p> <ul style="list-style-type: none"> • LAAP Bulletin 99 – Local Authority Reserves and Balances • LAAP Bulletin 100 - Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 	<p>The bulletins include some significant developments for local authority accountants and Finance departments.</p>

Emerging issues and developments

Issue / development	Possible action
<p>Transitional arrangements regarding the Local Audit and Accountability Act 2014</p> <p>At a recent meeting of public sector audit suppliers, the following matters were among those discussed:</p> <ul style="list-style-type: none"> • The Council’s 2014/15 audits will be delivered under the Audit commission Act 1998, and the 2015/16 audit will be the first under the LA&A Act 2014; • The existing Code of Audit Practice will continue to apply in 2014/15, moving to the NAO Code (expected April 2015) for 2015/16 onwards; • Under the LA&A Act, auditors must have ‘regard to’ the guidance issued by the NAO. This is not the same as our current contractual requirement; and • NAO will continue to run technical networks for NHS, local government and smaller bodies. 	<p>We will keep the Committee informed on the implementation of the Act in our Progress Reports and Briefings.</p>
<p>Protecting the Public Purse</p> <p>The Audit Commission’s latest report on fraud in local government revealed the highest value of fraud detected by England’s councils since the Audit Commission turned the spotlight on 25 years ago. Fraud valued at £188 million was detected in 2013/14, a ten-fold increase since 1990 and beating all records for the past 25 years.</p>	<p>The Report can be found at http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</p>

Emerging issues and developments

Issue / development	Possible action
<p>Interpreting the Accounts: A Review of Local Government Financial Ratios 2007/08 to 2012/13</p> <p>The report by the Audit Commission invites local government to help armchair auditors interpret accounts. It describes changes in the ratios for English councils during a period of considerable change for local government finance, and calls on local government to compile its own financial ratios data for comparison after the Commission closes in March 2015.</p>	<p>The Report can be found at http://www.audit-commission.gov.uk/2014/09/audit-commission-invites-local-government-to-help-armchair-auditors-interpret-the-accounts/</p>

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