

External Audit Progress Update – 2014/15 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
June 2015

Purpose of this report

1. This report aims to provide an update of progress with the external audit of the 2014/15 financial year. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update at each meeting. Our roles and responsibilities were set out in our 2014/15 annual audit plan which was considered by the Committee in February 2015. A significant element of our work relates to gathering the assurances required to support our opinion on the council's financial statements.

Summary of planned audit work for 2014/15

2. For 2014/15, our planned work includes:
 - an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the financial position of Aberdeen City Council as at 31 March 2015 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
 - an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
 - reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This was developed following the Local Area Network's (LAN) consideration of new evidence in terms of its impact on existing risk assessments and identifying scrutiny activity for the council during 2015/16

- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including a review of: internal controls; the adequacy of internal audit; arrangements for Statutory Performance Indicators; national study follow-up work; and a review of the ICT environment
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- review of National Fraud Initiative arrangements

Matters for Members' attention

3. We would highlight the following points for members' attention in considering the progress report:
 - **Financial Statements:** The Local Authority Accounts (Scotland) Regulations 2014 requires local authority audit committees to meet by 30 September to consider whether to approve the audited annual accounts for signature. This is a change from previous requirements. In the past, we reported issues arising from the audit of the financial statements within an ISA260 Report – Communication to those charged with governance - by 30 September and concluded the audit with the publication of our Annual Report to Members and the Controller of Audit a month later. Our annual report was considered by the November meeting of the committee. From 2014/15 onwards, we will combine our annual report with the ISA260 and bring this report to the committee in September alongside the audited accounts. As previously advised, we have worked with the Head of Finance and his team to plan for the earlier completion of the audited accounts and our annual report.
 - **Local Scrutiny Plan:** Each year a shared risk assessment is undertaken for each council by a local area network (LAN) which comprises representatives of all the scrutiny bodies who engage with a council. The aim of the shared risk assessment process is to develop a plan which focuses scrutiny activity where it is most needed. In addition to the LAN process, a national group of schedulers and planners bring together the inspection programmes approved by the respective scrutiny bodies. The outcome from both these strands of work are published within a council's Local Scrutiny Plan.
 - In preparing the 2014/15 local scrutiny plan, the LAN concluded that Best Value activity would be appropriate in Winter 2014/15. The scope for the audit highlighted leadership and governance in light of the significant changes in leadership over the previous 18 months. Fieldwork for the Best Value audit took place in January and February 2015, and the report is scheduled for publication on 2 July 2015.
4. In agreeing our fee for the audit with the Head of Finance, we agreed to deliver the following outputs in relation to the 2014/15 audit. A number of the outputs are delivered around the conclusion of the audit of the financial statements in September. A summary of progress against our plans is set out below.

Progress of 2014/15 audit work – planned audit outputs

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
Governance	I			
Annual Audit Plan including agreement of our fee for the audit	26 February 2015	26 February 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 26 February 2015
Local Scrutiny Plan	30 April 2015	25 June 2015	Yes	On agenda for 25 June 2015 The committee meeting scheduled for 30 April was rescheduled to 11 May. As we were unable to attend the committee on the revised date, it was agreed with the Convener/Vice-Convener that the report would be delayed until June.
Interim report on 2014/15 audit – covers internal controls and a follow up of 2013/14 Interim Action Plan	25 June 2015	25 June 2015	Yes	On agenda for 25 June 2015
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	24 September 2015			
Independent auditor's report on the financial statements	24 September 2015			
Audit opinion on charitable trusts	24 September 2015			

Progress of 2014/15 audit work – returns

5. We are required to certify/submit the following returns but we do not routinely bring these matters to the committee:

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Financial Statements				
Audit opinion on Whole of Government Accounts (WGA)	30 September 2015			<p>The audited WGA pack is submitted to the Scottish Government who transfers it to HM Treasury for upload to the system which brings together the consolidation of all UK local government accounts.</p> <p>The WGA pack is a series of spreadsheets completed by Finance using the council’s group accounts and requires a detailed list of inter-public sector transactions and debtor and creditor balances to be identified which is used later in the consolidation process to eliminate corresponding balances.</p>
Grants				
Education Maintenance Allowances	31 July 2015			
Criminal Justice Services Returns	30 September 2015			

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Housing Benefit and Council Tax Benefit Subsidy	30 November 2015		Ongoing	<p>The first stage of testing 2014/15 benefit cases based on our HBCount methodology is nearing completion. Findings will be evaluated and any follow up work will be discussed and agreed with the Revenues team by the end of June for action over the summer.</p> <p>During November, we will conduct the final tranche of benefit testing and pull together the results of all cases examined as part of our audit in order that the opinion can be given by 30 November 2015.</p>
Non Domestic Rates Income return	January 2016			

Anne MacDonald, Senior Audit Manager

June 2015