

External Audit Progress Update – 2014/15 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
September 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. Also, 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. From 2014/15 onwards, we have changed our reporting framework such that our annual report is combined with the ISA260 and the resultant document is included on the agenda for the September meeting of the ARSC alongside the audited accounts. The earlier completion of the audit work on the financial statements and conclusion of our annual audit report were achieved through early planning with the Head of Finance and his team and the flexibility of both the finance and audit teams during the process. We are grateful for the co-operation received from officers.
- **Local Scrutiny Plan:** Included in the 2015/16 Local Scrutiny Plan for the council is the Care Inspectorate's planned inspection of older people's service. This activity is planned for December 2015/January 2016. Recognising that the council's inspection report on children's services was published in March 2015 and that Audit Scotland published the findings from a Best Value audit in July 2015, we wrote to the chief executive of the Care Inspectorate with a view to delaying the inspection of older people's services. However, it is the Care Inspectorate's intention to proceed with the inspection in line with the existing timetable as it forms part of a programme of inspection activity approved by Scottish Ministers. Inspection colleagues have however intimated that the format of the inspection will be less labour intensive for both inspectors and officers and they have expressed a willingness to discuss the approach to their work in more detail with officers.
- **Health and social care integration:** Linked with the above matter, we are aware that officers are focused on health and social care integration in the run up to the Integrated Joint Board's (IJB's) implementation date in April 2016. Where an IJB is established during 2015/16, it does not assume responsibilities until 1 April 2016 but it will be expected to prepare annual accounts for 2015/16 and be subject to

external audit. The external audit arrangements will fall within the remit of Audit Scotland and consequently, we will keep the committee informed of emerging issues and audit expectations.

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 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				
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 (Delayed due to re-scheduled committee date)	25 June 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 25 June 2015.
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	Considered by Audit, Risk and Scrutiny Committee on 25 June 2015.
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015
Independent auditor's report on the financial statements	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015.

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
Audit opinion on charitable trusts	29 September 2015	29 September 2015	Yes	On agenda for 29 September 2015

Progress of 2014/15 audit work – returns

4. 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				
<p>Audit opinion on Whole of Government Accounts (WGA)</p> <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>	30 September 2015			Having concluded our audit on the 2014/15 financial statements, we are working on the WGA return and anticipate being able to conclude the audit by the due date.

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Grants				
Education Maintenance Allowances	31 July 2015	31 July 2015	Yes	
Criminal Justice Services Returns	30 September 2015			Field work on the claim is complete and we anticipate being able to certify the claim by the due date.
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 was concluded in June. Findings were evaluated and any follow up work was agreed with the Revenues team 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

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