

# External Audit Progress Update – 2014/15 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee  
November 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:

- **Annual audit activity :** Our audit work in respect of the council's housing benefit subsidy claim is expected to be complete by 20 November 2015 enabling me to certify the claim by the required deadline of 30 November 2015. Otherwise our audit work in respect of the 2014/15 financial year is now complete. Planning work is now underway for our 2015/16 audit and we will bring the Annual Audit Plan to the Committee in February 2016.
- **Local Scrutiny Plan:**
  - Planning for the Care Inspectorate's inspection of older people's services is underway. Colleagues involved in the council's recent best value audit and myself met with the inspection team recently to share knowledge and areas of interest. I understand that the fieldwork will commence in January 2016.
  - As part of the 2015/16 audit of the council, we will include best value follow up activity to monitor the council's progress in taking forward the improvement plan elected members and officers discussed with the Accounts Commission. There will be regular updates during the year with the chief executive and other key officers tasked with taking forward elements of the improvement agenda. While we will formally report findings in our 2015/16 Annual Audit Report next September, I will keep members of the Audit, Risk and Scrutiny Committee advised of activities through my regular progress reporting.
  - The next round of shared risk assessments are due to commence shortly. Scrutiny partners are currently updating their intelligence and we are planning for the Local Area Network (LAN) to meet early in January 2016.

**Progress of 2014/15 audit work – planned audit outputs all delivered**

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.

Planned outputs /Related activity	Target date for ARSC	Actual date	Complete	Comments
<b>Governance</b>				
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.
<b>Financial statements</b>				
Annual report to Members and the Controller of Audit (including ISA260)	29 September 2015	29 September 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 29 September 2015
Independent auditor's report on the financial statements	29 September 2015	29 September 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 29 September 2015
Audit opinion on charitable trusts	29 September 2015	29 September 2015	Yes	Considered by Audit, Risk and Scrutiny Committee on 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
<b>Financial Statements</b>				
<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	30 September 2015	Yes	Certified return submitted to the Scottish Government and National Audit Office.
<b>Grants</b>				
Education Maintenance Allowances	31 July 2015	31 July 2015	Yes	Certified return submitted to the Scottish Government.
Criminal Justice Services Returns	30 September 2015	2 October 2015	Yes	Certified claim submitted to the Treasurer and external auditor of the Northern Criminal Justice Authority.

Planned outputs /Related activity	Target date for submission	Actual date	Complete	Comments
Housing Benefit and Council Tax Benefit Subsidy	30 November 2015		Ongoing	<p>There is a prescribed audit methodology for subsidy claims which requires an initial sample of 40 benefit cases. Further testing is required if errors are identified in the initial sample and on conclusion of the second round of testing, the errors are extrapolated to enable us report the impact on the figures included in the subsidy claim.</p> <p>Errors were found in the initial sample and therefore additional testing was required. We are working with the revenues team to complete this work and conclude the extrapolation exercise by 20 November so that we are ready to report/certify the claim by 27 November 2015.</p>
Non Domestic Rates Income return	9 October 2015	9 October 2015	Yes	Certified return submitted to the Scottish Government.

Anne MacDonald, Senior Audit Manager

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