

External Audit Progress Update – 2015/16 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
April 2016

Purpose of this report

1. This report aims to provide an update of progress with the external audit of the 2015/16 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 2015/16 annual audit plan which was considered by the Committee in March 2016. 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 2015/16

2. For 2015/16, 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 2016 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 2015 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 2016/17

- a review and assessment of Aberdeen City Council's governance and performance arrangements in a number of key areas including: internal controls; the adequacy of internal audit; arrangements for Statutory Performance Indicators; national study follow-up work; and a follow up 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:

4. Local Scrutiny Plan

Publication of 2016/17 Plan

- 4.1. The Local Scrutiny Plan for 2016/17 was considered by the committee in March 2016. At that point the plan was in final draft form. Following a meeting with the chief executive, additional context was added to the body of the report which included further detail on the development of the Aberdeen integrated joint board, an update on the status of the inspection of services for older people and the positive outcome of a routine visit to the council by the Scottish Housing Regulator which had taken place after the LAN meeting. In terms of scrutiny, there were no major changes to the scrutiny plan attached to the report. One additional entry was made to reflect site visits planned by Audit Scotland colleagues to all City Deal authorities with a view to gathering intelligence on e.g. governance arrangements, funding mechanisms and potential risks. This intelligence will inform a briefing note to the Accounts Commission in May/June 2016 in preparation for a potential performance audit study next year. As there was no significant change to the overall plan, it was not considered necessary to bring the final plan back to the committee.
- 4.2. The 2016/17 local scrutiny plans for all 32 councils together with the national scrutiny plan have now been published on Audit Scotland's website and can be found by the following link: <http://www.audit-scotland.gov.uk/our-work/scrutiny-improvement/scrutiny-plans>
- 4.3. The direct link to Aberdeen's published local scrutiny plan is as follows: http://www.audit-scotland.gov.uk/uploads/docs/report/2016/lsp_160331_aberdeen.pdf

Review of the shared risk assessment process

- 4.4. The plan is the combined result of a shared risk assessment undertaken on an annual basis by the Local Area Network and national inspection programmes developed by scrutiny partners. The council's management team has expressed frustrations in the past about the apparent absence of co-ordination of scrutiny activity and the scheduling of work in such a way that the council felt it was experiencing a continuing burden of scrutiny. Members may recall that we exchanged correspondence with the Care Inspectorate in summer 2015 in an attempt to delay the planned inspection of older peoples' services in Aberdeen as it was coming so soon after the inspection of children's services and the best value audit. While we were unsuccessful in influencing any amendment to the Care Inspectorate's timetable, in common with my colleagues, we have regularly provided feedback internally within Audit Scotland on local experiences and frustrations from the process.
- 4.5. Audit Scotland has led an annual review of the process for producing local scrutiny plans. This year however, the Strategic Scrutiny Group (senior representatives from each of the scrutiny bodies) has agreed to a more fundamental review which will consider a range of matters including the future scope of the shared risk assessment process and the relationship between local and national scrutiny risk assessments. We will keep the committee informed of developments arising from this review which will inform the next round of shared risk assessments which normally commence from October each year.

5. Aberdeen City Integrated Joint Board (IJB)

- 5.1. Our 2015/16 audit plan included a review of the work carried out by the council to meet its responsibilities in preparing for the transfer of devolved responsibilities and budgets to the integrated joint board with effect from April 2016. We made some initial remarks within the Local Scrutiny Plan and we will comment further in our Annual Audit Report.
- 5.2. The Aberdeen City IJB was formally established on 6 February 2016, although operational responsibility was deferred until 1 April 2016. However, the IJB is required to prepare financial statements covering the accounting period from the establishment date to 31 March 2016. Due to the short accounting period and the status of the IJB at 31 March 2016, it will only have a handful of transactions and balances. The IJB is regarded as a separate audit and consequently, we have prepared a separate annual audit plan for the audit of the IJB's 2015/16 financial statements. We will report our findings and conclusions from this work directly to the IJB in due course.

Progress of 2015/16 audit work – planned audit outputs

6. In agreeing our fee for the audit with the Head of Finance, we agreed to deliver the following outputs in relation to the 2015/16 audit. A summary of progress against our plans is set out below.

Planned outputs	Target date for ARSC	Actual date	Complete	Comments
Governance				
Annual Audit Plan including agreement of our fee for the audit	9 March 2016	9 March 2016	Yes	Considered by Audit, Risk and Scrutiny Committee on 9 March 2016
Local Scrutiny Plan 2016/17	9 March 2016	9 March 2016	Yes	See paragraphs 4.1 to 4.3 in this report
Interim report on 2015/16 audit – covers internal controls and a follow up of 2014/15 Interim Action Plan	27 June 2016			
Managing Capital Projects – follow up activity	27 September 2016			
Financial statements				
Annual report to Members and the Controller of Audit (including ISA260)	27 September 2016			
Independent auditor's report on the financial statements	27 September 2016			
Audit opinion on charitable trusts	27 September 2016			

Progress of 2015/16 audit work – returns

7. We are required to certify/submit the undernoted returns to Audit Scotland and/or the Scottish Government but we do not routinely bring these documents to the committee. We will however use our discretion when concluding these pieces of work to highlight areas of interest and /or concern for the committee’s attention. Such matters would be reported either through this regular progress report and/or our annual audit report:

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 which 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. It requires a detailed list of inter-public sector transactions and debtor and creditor balances to be identified which is used in the consolidation process to eliminate corresponding balances.</p>	30 September 2016			
Performance Audit				
<p>Workforce planning – follow up of Audit Scotland’s national performance audit report <i>Scotland’s Public Sector Workforce</i>, published in November 2013.</p>	30 June 2016			Local findings will be reported through our interim report/annual audit report.

Planned outputs/Related activity	Target date for submission	Actual date	Complete	Comments
Grants				
Education Maintenance Allowances	31 July 2016			
Criminal Justice Services Returns	30 September 2016			
Non Domestic Rates Income return	7 October 2016			
Housing Benefit and Council Tax Benefit Subsidy	30 November 2016			

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