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External audit progress report and technical update

Leeds City Council

June 2014

External audit progress report and technical update – June 2014

This report provides the Corporate Governance and Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

This document provides the Corporate Governance and Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverables is provided in appendix two of this report

Area of responsibility	Commentary
Financial statements	We completed our interim audit work in February and include our findings in section two. In addition to our routine interim work we started a piece of work on data analytics in April which intends to provide the Council with positive assurance over the controls over payroll, journals and accounts payable transactions. We will commence our final accounts audit from w/c 14 July.
Value for Money Conclusion	We have carried out work on the Value for Money Conclusion throughout 2013/14 through our discussions with senior officers and review of documentation. We have included an update on this in our interim report in section four. In addition to this, we recently attended a Health & Wellbeing Board meeting to observe the board in operation and will consider the findings from this and associated work as part of our overall risk assessment.
Certification of claims and returns	This work is still at planning stage, with an initial kick off meeting for the Housing Benefit Subsidy claim due to take place in late June / early July and the majority of this work scheduled to be carried out from September.
Other work	In March, we carried out an additional piece of work on the Leeds International Film Festival grant claim to provide assurance that the grant funding from the European Commission was spent in accordance with the terms and conditions of the grant. There were minor changes required to the claim form to reflect the claiming of ineligible expenditure. In late June, we will start an additional piece of work on arrangements at Migration Yorkshire. Our review will assess whether the Council is meeting its responsibilities as co-ordinator for the partnership. We are due to report back to the team in July.
Data Analytics	Data analytics is a process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. We have carried out data analytics procedures at the Council for the first time in 2013/14 as a piece of work which supplements our regular interim audit work on the control environment. We carried out data analytics work on data from months 1-10 of the 2013/14 financial year from accounts payable, payroll and journal system reports and have summarised results on pages 3 and 4 and provide examples in section five. Officers are currently reviewing the findings and we will provide a full report to the next committee meeting.

Good controls are in place over journals, however, officers are reviewing whether the process can be made more efficient by reducing the amount of small value journals processed.

Officers are looking into the results of our data analytics procedures, specifically around the timing of invoice payments and the number of invoices without purchase orders.

Area of responsibility	Commentary
Journals	Our data analytics work reviewed whether controls are in place around the raising of journals and whether there is scope to improve the efficiency of the process. As in previous years, there is no enforced segregation of duties in place when posting journals within the FMS system. Instead, the control comes from the small number of people given the right to raise journals within FMS. Currently there are 359 people who can do this. Our data analytics work identified there are some individuals posting very few journals throughout the period tested and instances where very small journals in monetary terms were posted and we have therefore challenged management on whether this is efficient. We reviewed whether there is consistency in the number and value of journals posted throughout the year and whether there is a large number of journals posted on weekends and bank holidays. We cross-matched to leavers data to check whether any journals were posted from someone's user ID after they had left the organisation. We obtained satisfactory explanations for all queries and did not identify any risks from this testing.
Accounts Payable	Our data analytics work reviewed whether controls are in place around the raising of invoices and whether processes around raising and paying invoices are efficient. Our work identified there are no significant control issues , but there are potentially areas where the Council can improve processes around data quality and efficiency. Officers are currently reviewing the results of the data analytics work and we will provide a full report to the next committee meeting. Officers are looking into whether a significant number of invoices are paid early or whether the way dates have been recorded in the system is skewing the findings. There might be scope to improve the processes around raising purchase orders in advance of incurring the expenditure, with the analysis showing only 42% of invoices had a purchase order. Of these purchase orders, around a fifth were significantly lower than the actual expenditure incurred which raises questions over whether costs are being managed appropriately. These findings are also being reviewed by officers.

No controls weaknesses or significant Value for Money issues have been identified in relation to payroll expenditure. Potential inefficiencies have been identified over the level of overtime expenditure, however, this is not a Council-wide issue.

Our work over the IT control environment found controls to be in place. Further information is provided in section 3.

Our review of internal audit's work found the coverage of the work to be appropriate and no issues were identified over the quality of the work.

Area of responsibility	Commentary
Payroll	Our data analysis work around payroll focussed on salary, overtime and sickness expenditure per month and per directorate. There are some variances on a month-by-month basis, but nothing that gives rise to a significant risk. The analyses showed that some individuals appear to be receiving a significant amount of overtime which could potentially point towards inefficiencies within some directorates. We have also asked officers to review some anomalies in the payroll data, for example, individuals with negative gross salary, but we are anticipating there is a valid reason for all anomalies.
IT	Our work on IT included assessing the overall control environment, testing of access controls over the FMS general ledger system and following up on prior year recommendations. The overall control environment is sound. We found that back up processes are in place and information is retained in the event of system failure and program development arrangements are tested and approved before being implemented. Controls are in place around the FMS system to ensure password parameters are configured appropriately and super user access is restricted to appropriate officers. One of the three prior year recommendations have now been addressed, with one to be confirmed following completion of testing and one partially addressed over server access. See section three and appendix one for more information on IT controls.
Internal audit	In April 2014, when internal audit's work on the fundamental systems was substantially complete, we reviewed all files to identify any control weaknesses or other issues that could impact on our planning. Their findings provide substantial comfort that the Council is operating a sound control environment. We did not identify any risks through this process. As in the previous year, internal audit's work covered all of the key financial systems, and we did not identify any issues over the quality of this work.

Work completed

The identification of risks and controls within IT is key to our overall risk assessment and therefore integrated with our overall audit plan. This is because IT controls are fundamental to the effective operation of the Council's internal control processes, to ensure accuracy in the financial reporting and budget monitoring.

Our work consists of forming an understanding of the overall arrangements for ensuring a sound IT control environment. For example:

- The skills and structure of the team
- Business continuity arrangements
- Security of servers and access
- 3rd party suppliers

We assess this through meetings with key officers within the IT team and review of documentation, such as IT policies, system downtime reports and structure charts.

We also carried out detailed testing on the FMS General Ledger system, as this is fundamental to the production of the financial statements and other financial information. Our work consisted of testing:

- Approval of new starters granted access to the system;
- Leavers being removed from the system;
- Password parameter configuration;
- Super User access;
- Testing and approval of programme developments; and
- Back up scheduling and management.

Our work in this area is complete, with the exception of testing of starters and leavers, which will be completed during the final accounts audit.

Key findings

We conclude on the basis of work carried out that your IT controls are effective overall. We will report back on the two outstanding tests around approval of starters and removal of leavers in our ISA260 report following completion of the final accounts audit.

Password parameter configuration

Through enquiry and observation we found that passwords are sufficiently complicated and required to be changed on a regular basis.

Super User access

Testing of Super Users found that all officers given this access were appropriate for their job role. These are reviewed on a monthly basis and approved at an appropriate level.

Testing and approval of programme developments

We reviewed the five stage process for approving system developments. This found that all significant FMS developments are set out in a business case, before being approved at the IT Commissioning Board. A test plan is created which is monitored to ensure that any changes are implemented successfully.

Back up scheduling and management

We found that daily, weekly and monthly backups are made of the FMS system and these are retained for an appropriate length of time and off-site.

We followed up on our prior year recommendations and found that controls around access to server rooms are now appropriate and that asset register programme changes are appropriately authorised.

Our testing around FMS starters was incomplete at the time of writing this report.

Summary assessment

FMS test	Assessment
Password parameter configuration	❸
Super user access	❸
Testing and approval of programme developments	❸
Backup scheduling and management	❸
Approval of starters	TBC
Removal of leavers	TBC

Key:
❶ Significant gaps in the control environment
❷ Deficiencies in respect of individual controls
❸ Generally sound control environment

Follow up of prior year recommendations

In 2012/13, we made three recommendations on the IT control environment and we have followed each one up to see if the issue has been addressed. The findings are summarised here with more detail given in appendix one:

Physical access to server rooms

In 2012/13 we raised that there is a large number (124) of officers with access to server rooms and this increases the risk that the servers could be compromised. Review of access in our interim audit identified that there remains a similar number of officers with access to servers. However, we are now satisfied that there are controls in place to initially grant access to only appropriate officers and review these users on a regular basis.

Asset register programme change authorisation

We previously reported that although programme changes are tested before implementation, there was no process in place to authorise the changes. This has since been addressed and there is now a formal process in place.

FMS Starters Process

This recommendation followed 2012/13 testing which showed appropriate evidence was not retained for new starters who were granted access to FMS. This will be re-assessed following completion of our starters testing which is not yet complete.

Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

Our *External Audit Plan 2013/14* describes in more detail how the VFM audit approach operates.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

■ securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and

■ challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas. The Audit Commission has developed a range of audit tools and review guides which we can draw upon where relevant.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.

As in 2012/13, we have identified one key focus area of our work on VFM in 2013/14, which relates to the Authority's financial standing and savings plans.

Our review at month 10 did not identify any risks over the Authority's financial position.

Work completed

We identified one focus area to our VFM conclusion at the planning stage and have undertaken some work to date to assess the Authority's approach to managing this.

Key findings

Below we set out our interim assessment of the response to this focus area.

We will report our final conclusions in our *ISA 260 Report 2013/14.*

Key VFM risk	Risk description and link to VFM conclusion	Work undertaken to date and interim assessment
Savings Plan	The Authority set a budget for 2013/14 with a requirement to make further savings of £51 million due to reduced funding and continued cost pressures. This includes a net reduction in staffing equivalent to 388 full-time equivalent posts by the end of 2013/14. The Authority will need to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2013/14 financial statements as appropriate.	At month 10, the Authority was making good progress achieving its budget, with an underspend of £3.5m reported at that stage. The Authority was forecasting a £2.2m overspend within staff costs, citing the employment of agency staff as one of the drivers of this. Despite the known pressures within Adult Social Care and Children's Services, these directorates were broadly on course to achieve their budgets, with a small overspend in Children's of £381k and an underpend of £499k being forecast at month 10. We will continue to monitor budget performance through to outturn and during our final accounts work we will the ensure the budget outturn report reconciles to the financial statements.

Our data analytics work was not complete at the time of writing this report. Instead, we include some background to the work and an example from each area we tested.

We are giving officers sufficient time to review the findings and provide explanations on the results before we finalise our report.

We will provide a full report at the next Corporate Governance and Audit Committee.

What is data analytics?

Data analytics is a process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making.

We have carried out data analytics procedures on accounts payable, payroll and journal data as part of our interim audit work.

The nature of the work means lots of questions are raised from the analysis, some pointing to control weaknesses or inefficiencies and some 'red herrings'. At this stage we do not have enough certainty to conclude there are any control weaknesses or inefficiencies arising from our data analytics work.

It is therefore important to allow officers sufficient time to review our data in order to ensure any findings are valid. We have included a brief description of our analyses that officers are reviewing and we will provide more comprehensive feedback at the next committee meeting.

Accounts Payable

We took accounts payable data from months 1-10 (inclusive) of 2013/14 and analysed this to identify if there were any control weaknesses in the way invoices are approved and whether there are inefficiencies in the raising and payment of invoices.

An example of our work in this area is our analysis of when invoices were paid compared to when they were due. Officers are investigating whether there inefficiencies in the timing of payments, whether the recording of dates within the system is inaccurate or whether there is a legitimate reason for the results, which show that a large number of invoices are paid early.

Payroll

Using the first ten months data from the payroll system we carried out an analysis of overtime and sick pay compared with basic pay to identify whether this pointed towards inefficiencies or Value for Money issues.

An example of our work in this areas is we analysed overtime expenditure both monthly and by directorate. It shows that overtime is broadly consistent over the ten month period but varies significantly between departments. Officers are reviewing the data to identify any areas where efficiencies can be achieved.

Journals

Journals from months 1-10 were analysed to identify the number of users raising journals, how often those individuals raised journals and the value of journals raised. An example of our findings is that the analysis shows that there was a large number of small value journals posted. Officers are reviewing all journal data to see if the analysis points towards inefficiencies in this process or whether automatic journals account for the majority of the small journals posted.

This section of the report highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

🔴 **High impact**
🟡 **Medium impact**
🟢 **Low impact**
⚫ **For info**

The technical update report provides a series of articles and announcements from the sector in order to provide information to members on the latest sector developments. The report is split between those that we assess as having a potential impact on the Authority and those we include for information only. The Committee may wish to challenge officers on some of the articles, for example to receive assurances that the matters raised in the report have been dealt with.

Technical Update					
Final local government finance settlement 2014/15	🔴	14	Audit Commission consultation on 2014/15 work programme and scales of fees for the National Fraud Initiative	🟢	20
Draft order published reflecting changes to council tax calculations	🔴	14	Audit Commission 14/15 Scale Fees confirmed	⚫	21
Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities	🔴	15	Local Audit and Accountability Act 2014	⚫	21
Housing Revenue Account Borrowing Programme	🔴	16	Are other local authorities making more money? (CIPFA article)	⚫	21
CIPFA/LASAAC consultation – schools accounting	🟡	16	Value for money data briefing on waste collection	⚫	22
LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters and	🟡	17	Value for money data briefing on benefits administration	⚫	22
Annual fraud and corruption survey 2013/14	🟢	18	Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	⚫	23
CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment	🟢	19	High central costs in some councils need greater scrutiny (Audit Commission article)	⚫	23
Whole of government accounts timetable	🟢	19	Children's social care: the case for early intervention (CIPFA article)	⚫	23

Area	Level of Impact	Comments
Final local government finance settlement 2014/15	🔴 **High**	On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015
Draft order published reflecting changes to council tax calculations	🔴 **High**	The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year. The draft Order makes amendments to: • section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund; • section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and • schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so. The draft Order will have effect in relation to financial years beginning 1 April 2014.

Area	Level of Impact	Comments
Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities	🔴 **High**	On 4 April, the Department of Health (DH) issued the National Health Service Commissioning Board (Payments to Local Authorities) Directions 2014. The 2014 directions, which apply in respect of NHS England's (NHSE's) payment of £1.1 billion to local authorities in respect of their social care functions for the financial year 2014/15, came into force on 1 April.
		Each local authority and NHS England should enter into an agreement in relation to the payments to be made and the conditions that apply. The 2014 Directions, and the updated National Health Service (Conditions relating to Payments by NHS Bodies to Local Authorities) Directions 2013, impose certain conditions that must be met in relation to each payment. These include conditions that:
		▪ the funding must be used to support adult social care services which also have a health benefit;
		▪ the local authority and its local clinical commissioning groups (CCGs) agree how the funding is best used within social care and the outcomes that are expected from the investment;
		▪ local authorities and CCGs have regard to the Joint Strategic Needs Assessment for their local population and existing commissioning plans for both health and social care in deciding how the funding is to be used; and
		▪ local authorities must be able to demonstrate how the funding transfer will improve social care services and outcomes for their users.
		NHSE must not place any other conditions on the funding transfers without the written agreement of the DH and must ensure that it has access to timely information on how the funding is being used locally.

Area	Level of Impact	Comments
Housing Revenue Account Borrowing Programme	🔴 **High**	On 7 April the government launched the Housing Revenue Account Borrowing Programme which makes £300 million of borrowing available to provide 10,000 new affordable homes in 2016/16 and 2016/17. This funding will form part of the Local Growth Fund, available to local authorities who have a proposal agreed by their Local Enterprise Partnership.
		The government also published a revised set of General Consents under Section 25 of the Local Government Act 1988 which allows councils to dispose of vacant housing land to private registered providers and non-registered providers at less than market value.
		For more information visit https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes
		&
		https://www.gov.uk/government/publications/general-consents-for-privately-let-housing
CIPFA/LASAAC consultation – schools accounting	🟡 **Medium**	On 21 February 2014, CIPFA/LASAAC released the single issue consultation – Accounting for Schools in Local Authorities in England and Wales relating to the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom.
		For more information, visit http://www.cipfa.org/SingleIssueITCAccountingforSchoolsinLocalAuthorities.
		The consultation paper sought views on the report of the Joint HM Treasury and CIPFA/LASAAC *Public Sector Accounting for Schools Working Group – The Accounting Treatment of Local Authority Maintained Schools in England and Wales*. It also provided an exposure draft addendum to the 2014/15 Code and an invitation to comment for public consultation. The 2014/15 Code will apply to accounting periods starting on, or after, 1 April 2014.
		This consultation closed on 4 April 2014.

Area	Level of Impact	Comments
LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters	🟡 **Medium**	CIPFA has issued LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters which clarifies a number of issues regarding the preparation of 2013/14 financial statements in response to FAQs in relation to: ▪ public health reform; ▪ Non-Domestic Rates – provision for appeals against the rateable value of business properties; ▪ component accounting; ▪ accounting for pension interest costs in relation to current service cost and pension administration costs; and ▪ disclosure requirements for dedicated schools grant. The bulletin also highlights a number of other issues affecting the closure of the 2013/14 accounts: ▪ accounting standards that have been issued but have not yet been adopted; ▪ use of example financial statements for preparation of the 2013/14 accounts; ▪ minor amendment to Code 2013/14 guidance notes on the use of indices; ▪ technical alerts; and ▪ notification of the discontinuance of Icelandic and capital interest rates bulletins. With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Area	Level of Impact	Comments
Annual fraud and corruption survey 2013/14	● Low	The Audit Commission annual fraud and corruption survey has been open to complete from 7 April. The survey requests information on detected fraud and corruption for the 2013/14 financial year. Completion and submission of the survey by audited bodies is a mandatory requirement under section 48 of the Audit Commission Act 1998. During the week commencing 7 April the Commission sent a link to the survey (using the Outreach EDC system) to directors of finance, or equivalent, at all principal local government bodies: ▪ local authorities; ▪ police and crime commissioners; ▪ chief constables; ▪ the Mayor's Office for Policing and Crime; ▪ the Commissioner of Police of the Metropolis; ▪ the Greater London Authority and associated bodies; ▪ fire and rescue authorities; ▪ national parks authorities; ▪ waste disposal authorities; ▪ integrated transport authorities; ▪ passenger transport executives; and ▪ stand-alone pensions authorities The closing date for completion and submission of the survey is 16 May.

Area	Level of Impact	Comments
CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment	● Low	CIPFA has issued a Technical Accounting Alert on the Frequency of Valuations for Property, Plant and Equipment. The Alert provides guidance to local authorities in interpreting the requirements for the revaluation of property, plant and equipment, but confirms that there are no changes to the requirements of the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 which is still based on the underlying requirement to comply with IAS 16: Property, Plant and Equipment.* For more information visit: http://www.cipfa.org/-/media/Files/Policy%20and%20Guidance/Panels/Local%20Authority%20Accounting%20Panel/Technical%20Alert%20Frequency%20of%20Valuations%20Final%20for%20publication.pdf
Whole of government accounts (WGA) timetable	● Low	HM Treasury has now published a corrected timetable for the submission of draft and audited Whole Government Accounts returns following the release of the WGA Newsletter – March 2014, which contained incorrect information. The revised timetable is on their website alongside various templates that audited bodies will be required to complete during the WGA process. For more information visit https://www.gov.uk/government/publications/whole-of-government-accounts-2013-to-2014-guidance-for-preparers

Area	Level of Impact	Comments
Audit Commission consultation on 2014/15 work programme and scales of fees for the National Fraud Initiative	● Low	From Monday 31 March the Audit Commission consulted on its proposed work programme and scales of fees for the 2014/15 National Fraud Initiative (NFI). The transfer of the Commission's data matching functions (the NFI) to the Cabinet Office is expected to take place when the Commission closes at the end of March 2015.
		The NFI 2014/15 work programme and scale of fees covers the Commission's final set of data matching activities and there will be work-in-progress at 31 March 2015 which will need to be completed by the Cabinet Office after the transfer.
		Work Programme
		Existing mandatory data matches will continue to be a part of the NFI 2014/15 work programme. In addition the Commission is also proposing to introduce two new mandatory requirements in the NFI 2014/15:
		• Council tax to electoral register data sets will be requested from local authorities every year - currently this data is requested every two years; and
		• Personal budget (direct payments) data will be introduced.
		Consultation
		The Commission is proposing to carry out the NFI work programme, including the additional elements, within the existing scale of fees for mandatory participants. The consultation commenced on 31 March and continued until 12 May. The Commission will publish the final work programme and scales of fees for the NFI 2014/15 on 30 June. The consultation documents were available on the Commission's website from Monday 31 March.
		For more information visit http://www.audit-commission.gov.uk/fraud/nfi/public-sector/pages/fees.aspx

Area	Level of Impact	Comments
Audit Commission 14/15 Scale Fees confirmed	● **For information**	The 2014/15 work programme and scales of fees are now available, alongside the lists of fees for individual bodies. A summary of the responses to the Audit Commission consultation on the work programme and fees is also available.
		For more information visit http://www.audit-commission.gov.uk/audit-regime/1415WPSF
Local Audit and Accountability Act 2014	● **For information**	The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government's expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body, which is being set up by the Local Government Association, will oversee the contracts in the intervening period.
		In the statement the Commission's Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed.
		The Audit Commission's press release is available to view on its website:
		http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/
Are other local authorities making more money? (CIPFA article)	● **For information**	"In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services. "
		Read the full article at: http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money

Area	Level of Impact	Comments
Value for money data briefing on waste collection	● **For information**	The Audit Commission has published Local authority waste management, the latest in a series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing examines spending and performance on household waste management. In 2012/13 the average spending on household waste management varied between local authorities with similar responsibilities. For example most authorities that both collect and dispose of waste (58 per cent) spent between £125 and £175 per household in 2012/13 but thirteen per cent spent more than £200 per household. In 2012/13, the amount of waste recycled varied from 12 per cent up to 67 per cent, with 40 authorities recycling less than 30 per cent of their household waste. And while landfill has reduced everywhere some regions are still more reliant than others. The variation in performance and spending suggests there may be opportunities to reduce expenditure. If councils were able to reduce their spending to the average for their authority type and waste responsibilities potentially up to £464 million could be saved overall. Any savings could be used to support more sustainable forms of waste management or be reinvested in other services. Previous briefings on councils' expenditure on benefits administration, council tax collection, social care for older people, income from charging and business rates are also available on the Commission's website. For more information visit http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/
Value for money data briefing on benefits administration	● **For information**	The Commission has published Councils' expenditure on benefits administration, the latest in its series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing compares the cost of benefits administration to councils with the Department of Work and Pensions (DWP) funding received. The briefing reports that costs exceeded funding by £361 million in 2012/13, but identifies significant variations in the amount each council spends when compared with other councils of similar size and caseload. To read the report, visit: http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/ Visit the VFM profiles tool website at: http://www.audit-commission.gov.uk/information-and-analysis/ The briefing also reports that in 2012/13 councils paid £468 million more in benefits than they received in subsidy from DWP. Councils are encouraged to use the national and local data to get a better understanding of their performance and costs and consider the scope to reduce their costs by improving their efficiency and reducing errors, overpayments and fraud. Previous briefings on council tax collection, social care for older people, income from charging and business rates are also available on the at http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/

Area	Level of Impact	Comments
Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	● For information	Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year. Read the full article http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/
High central costs in some councils need greater scrutiny (Audit Commission article)	● For information	The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending. Read the full article http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/
Children's social care: the case for early intervention (CIPFA article)	● For information	"Children's social care is a politically sensitive and emotive area. Yet under the austerity measures, it has seen increased demand, to be met by a smaller pool of funding. Department for Education (DfE) Statistics show over the past three years, referrals to children's social care have risen steadily, a growth of 12.43 per cent from 2008/09 to 2010/11. The reasons why demand is increasing needs to be examined – and, if possible, the causes addressed – in order to stem the rising tide." Read the full article http://www.cipfa.org/policy-and-guidance/articles/childrens-social-care-the-case-for-early-intervention

Appendices

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Appendix 1 – Update on prior year recommendations

Priority rating for recommendations		
❶ **Priority one**: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three**: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date	Update
1	❸	**Physical access to server rooms** It was noted in our prior year audit that there are a large number of staff with access to server rooms. We found that there are still 124 individuals with access to these centres, including 19 individuals with access to all data centres across the Authority. Inappropriate access to the server rooms can compromise the availability of the server which could impact the Authority's operations. We recommend that the list of personnel who has access to the server room should be reviewed and access restricted to those personnel who require access.	ICT are conducting a review of physical access to server rooms as part of the planned works to introduce new governance rules for the Data Centres. This will include restricting access to designated individuals. It will also include a log (potentially electronic via the card key system) of who has accessed the rooms and for what purpose. Responsible officer: Support Service Manager, ICT services. Due date: November 2013	We found that there remains a similar number of officers with access to server rooms. There is a bi-annual review of those with access to the various server rooms based on security card information which details the last time that an individual used their card to access one of the data centres. We obtained a breakdown of the information that was used in the last review and verified that the individuals who had not accessed in over 6 months had been queried. An additional control of who gets a security card and to where they get access is the main control used for ensuring that there is no inappropriate access to the server room.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date	Update
2	❸	**Asset register programme change authorisation** Although programme changes are tested before implementation, there is no process in place to authorise the changes. Consequently, there is a risk that unauthorised and/or erroneous changes may be made to the system. We recommend that the Authority implements a formal process for approving programme changes.	The Council will introduce a recording system to confirm when changes to the database have been agreed, and by whom. Responsible officer: Principal Accountant, Corporate Financial Management. Due date: September 2013	The Council has now introduced a system of recording all system changes to the asset register.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date	
3	❸	**FMS Starters Process** As part of our prior year audit, we identified a weakness in the control for authorising new starters. We found that appropriate evidence was not retained for new starters who were granted access to FMS. Our current year testing identified four new users where no evidence of authorisation had been retained. This increases the risk of unauthorised access to the system which could impact on the integrity of financial data. We performed additional testing on the access rights of users who had not been authorised appropriately. No issues were identified through this testing. We recommend that a standardised process is implemented to ensure there is appropriate evidence for the authorisation of FMS starters.	The role of system controllers is now being centralised in order to ensure full compliance with authorisation controls. It should however be noted that the four cases identified relate to officers given low level access rights and therefore represented little risk to the integrity of the integrity of financial data. Responsible officer: Principal Accountant, Corporate Financial Management. Due date: November 2013	At the time of writing this report, we have not received evidence for all starters in our sample. We will therefore provide an update in our ISA260 report.

Deliverable	Purpose	Timing	Status
Planning			
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2014	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2014	Complete
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2014	TBC