

Adur District Council

Joint Governance Committee Progress Report

May 2018



Building a better
working world

The Members of the Joint Governance Committee
Adur District Council
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

18 May 2018

Dear Members,

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Joint Governance Committee in March 2018. The purpose of this report is to provide the Committee with an update of our plans for the 2017/18 audit, to ensure they continue to be aligned with your service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Paul King
Associate Partner
For and on behalf of Ernst & Young LLP
Enc.

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The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2017/18 audit

Financial statements audit

We issued our 2017/18 Audit Plan in January 2018 where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach.

Our interim procedures have confirmed that the risks identified in the Revised Audit Plan (following the verbal update in January) remain appropriate. These were:

- Risk of Management Override
- Valuation of land and buildings
- Pension asset/liability valuation
- Earlier deadline for the production of financial statements
- A Value for Money Conclusion risk regarding the Council's ability to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Second Interim Visit

We completed our interim procedures as planned and have not identified any additional risks that we need to make the Committee aware of, from our work performed to date.

Post Statements Audit

Following the discussion held at the 27 March 2018 Joint Audit Committee meeting as part of presenting our audit plan, we have set out in Appendix 1 the key messages which we are communicating consistently to all authorities with regard to the earlier timetable for accounts production and audit completion for 2017/18. We would be happy to discuss this again at the 31 May 2018 Joint Audit Committee meeting if you would like to do so.

In view of the faster close this year, as compared to previous years, whereby the Council will have to publish its audited statement of accounts by 31 July 2018 for the 2017/18 financial year, we are looking to start our post statements work on the 2017/18 statement of accounts at the beginning of June 2018. Our post statements visit is scheduled to be completed by mid-July 2018.

We will continue to use the client portal to request working papers and evidence for samples and in view of faster close, quick responses from officers will be critical to meeting the required deadline. We discussed the impact of any delays on the audit at the last Committee.

We are continuing to work with officers to reduce likelihood of any delays and have put in place escalation procedures to avoid issues affecting the audit timing.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries and the data requests for this have already been responded to by officers.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

We plan to present our audit results report, setting out the findings of our work and overall conclusions, to the Joint Governance Committee on 31 July 2018.

Value for Money Assessment

We have completed our planning work and have started our detailed work and expect to complete this by the end of our post statements audit visit. We plan to report the results of this work to the Joint Governance Committee on 31 July 2018.

The Committee requested that we discuss the plans of the Council to invest to generate revenue. We met with the Chief Financial Officer on 15 March to discuss this issue. The Council has a high level investment strategy and the detailed supporting strategy is still being developed. However, we found that the Council has proper procedures in place to assess the merits of purchases of property.

The Council is focussing on industrial and office investments, as more risks have been identified with regards to residential property investments. The Council uses a risk matrix to verify if a property meets the quality standards that they require in order to invest reliably. This matrix includes overall categories that are then broken down into sub criteria, for example, the sub criteria for the category of location are:

- Quality of the location (town, city, area) with regard to the property use
- Quality of the individual situation of the property within the macro location, with regard to the property use
- Quality of the building compared to the Industry standard Grade A for the property type

Detailed comments are required to be made against each sub criteria and a rating is provided based on a weighted property score. A property will be expected to score at least 140 out of 200 (70%) on the matrix to be considered for investment, unless there are other economic or wider benefits to be delivered within or to the county.

The Chief Financial Officer has been asked by this Committee to prepare a paper on the financial implications of this investment policy. We will review this as part of our value for money procedures when it is available.

Housing Benefit Certification 2017/18

We met with the Head of Revenues & Benefits in April 2018 to further the discussion of the extended testing required for the housing benefit certification based on errors identified in the prior year. Under the PSAA guidelines, the Council is required to perform this additional testing in the mandatory workbooks and EY is required to review their findings and perform any extrapolations as required. To aid the Council in completing this additional testing, EY have provided training in completion of our workbooks, in order to reduce the potential issues in reviewing this work.

We commenced our initial testing of the housing benefit certificate in April 2018. We were unable to complete the testing in the time available and plan to finish the testing after completion of the 2017/18 audit in August 2018. We will review the work performed to date with the Head of Revenues & Benefits in June 2018 and agree if any further extended testing is required over and above that already identified.

Appendix 1 - Faster Close Key Messages

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include internal quality assurance arrangements, late working papers, and slippage in delivering data for analytics work in format and to the timescales required.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- Good quality draft financial statements and supporting working papers by the agreed deadline, including analytics data;
- Appropriate Council staff to be available throughout the agreed audit period; and
- Complete and prompt responses to audit questions and information requests.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may include postponing your audit until later in the summer and redeploying the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we have:

- Worked with the Council to engage early to facilitate early substantive testing where appropriate.
- Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Worked with the Council to implement EY Client Portal, this:
 - Streamlines our audit requests through a reduction of emails and improved means of communication;

- Provides on -demand visibility into the status of audit requests and the overall audit status;
 - Reduces risk of duplicate requests; and
 - Provides better security of sensitive data.
- Agreed the team and timing of each element of our work with you.
- Agreed the supporting working papers that we require to complete our audit and how these are being requested.

Timetable

For the 2017/18 financial year, the timetable for preparation and approval of accounts is brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. In planning our work for 2017/18 we have planned our audit to meet these revised deadlines. We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2017/18 committee cycle.

Audit phase	EY Timetable	Deliverable	Report to Committee	Status
High level planning	April 2017	Audit Fee Letter	2017	Completed
Risk assessment and setting of scope of audit	January 2018	Audit Plan	January 2018	Completed
Interim substantive testing of transactions	February / March 2018	Progress Report	May 2018	This document.
Year-end audit	June / July 2018	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	July 2018	Work is planned to start at the beginning of June 2018 and be completed by mid-July.

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Worthing Borough Council

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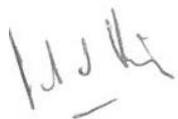
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2016/17 audit

Housing Benefit Certification

We completed our testing of the Council's 2016/17 Housing Benefit claim in March 2018. We are presenting the results of our work in the 2016/17 certification report as a separate agenda item at this.

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