

# Horsham District Council

## Audit Committee Progress Report

March 2018



Building a better  
working world



The Members  
Audit Committee  
Horsham District Council  
Parkside  
Chart Way  
Horsham  
West Sussex, RH12 1RL

29 March 2018

## **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 Audit Committee in December 2017. The purpose of this report is to provide the Committee with an overview of our plans for the 2017/18 audit, to ensure they are aligned with your service expectations.

Our audits are 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. The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

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 audits.

Yours faithfully

Paul King  
Associate Partner  
For and on behalf of Ernst & Young LLP  
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# Contents

<b>2017/18 audit .....</b>	<b>1</b>
<b>2016/17 Grant Certification Work .....</b>	<b>5</b>

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psaa.co.uk) ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

## Fee letter

We issued our 2017/18 fee letter to the Council in April 2017.

## Financial statements audit

We adopt a risk based approach to the audit and, as part of our ongoing planning, we held an audit planning meeting with key officers to discuss significant issues for the audit, how we can work together to improve the accounts production and audit process for 2017/18 and meet the earlier audit deadlines. We will continue to liaise with officers to ensure the 2017/18 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

We set out an outline timetable for the audit in the Audit Plan.

## Amendments to the 2017/18 Audit Plan

We have updated our 2017/18 Audit Plan for the change in our audit approach to a fully substantive approach to the audit, as verbally updated at the Audit Committee meeting in December.

We have also now included an additional 'other risk', in respect of the earlier deadline for production of the accounts. As a firm, we have decided that this should be included as an 'other risk' in all of our Local Government Audit Plans to highlight to members the issues and responsibilities that this presents to clients and to EY. This additional risk is set out in the table below.

What is the risk/area of focus?	What will we do?
<b>Earlier deadline for production of the financial statements</b>  The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial 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 slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.  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 same compressed	<b>We will:</b> <ul style="list-style-type: none"><li>• Work with the Council to engage early to facilitate early substantive testing where appropriate.</li><li>• Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.</li><li>• Facilitate 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.</li></ul>

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;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

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 be that we postpone your audit until later in the summer and redeploy 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.

- Work with the Council to implement EY Client Portal, this will:

- Streamline our audit requests through a reduction of emails and improved means of communication;
- Provide on –demand visibility into the status of audit requests and the overall audit status;
- Reduce risk of duplicate requests; and
- Provide better security of sensitive data.

- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

### **Interim visit**

We have substantially completed walkthroughs of the Council's material income and expenditure systems and our early substantive testing. We expect to complete this by mid-April.

As part of this early work, we audited the valuation of the Forum. This identified some issues which we are discussing with officers and Wilks, Head and Eve LLP, the Council's valuers, to ensure that these issues are resolved on a timely basis.

We have also substantially completed our audit of the change to the Council's financial management system. As this change involves additional work outside the scope of our normal audit there will be an additional fee for this work, which we are discussing with officers. As with any other fee variation, this is subject to review and determination by PSAA.

### **Post Statements audit**

We have agreed dates for our post statements audit visit with officers and also agreed a timetable for the receipt of the draft financial statements and working papers. We are planning to commence our post-statements work in June.

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.

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.

### **Value for money assessment**

As set out in the Audit Plan, there have been no changes from 2016/17 to the supporting sub-criteria in the Value for Money Conclusion guidance.

At the last Audit Committee meeting, members asked us to consider specifically three areas of focus in our value for money planning work and risk assessment. We have completed our review and our findings and conclusions are set out below. It should be noted, as we stated at the last Audit Committee meeting, that the guidance for the Value for Money Conclusion is on an authority's arrangements for securing value for money.

We have also shared the documentation we obtained and our work with Internal Audit, who are planning to include some elements of work in these areas in their own programme, so as to avoid duplication of effort:

As indicated in the discussion at the last Audit Committee meeting, as additional areas of focus included at the request of the Audit Committee in our consideration of significant risks to our Value for Money Conclusion, this work is outside the scope of our normal audit work and will therefore lead to an additional fee. We are discussing the level of proposed additional fee with officers. Again, as with other fee variations, this would be subject to review and determination by PSAA.

### **Broadbridge Heath Leisure Centre**

We have reviewed project board agendas/minutes, project timelines, and finance trackers for the project. We have also discussed the project with the Head of Finance. Based on this review, we have concluded that the project does not indicate that there is a significant risk to our Value for Money Conclusion for 2017/18.

The majority of key decision making is historical (taking place prior to 2017/18), and the information reviewed indicates that the project is on track both in terms of overall budget and expected timescales for completion. The evidence provided also supports the conclusion that there has been appropriate member involvement in key decision making, and that there is regular monitoring of progress on the project through a project board composed of senior officers and external experts.

### **Changes to waste, recycling and cleansing fleet and staffing**

We have reviewed project board agendas/minutes, option appraisals, KPIs and some of the related finance trackers. We have also discussed the project with the Head of Finance. Based on this review we have concluded that the changes to the waste service do not present a Value for Money Conclusion significant risk for 2017/18.

The value of the procurement is material, but not exceptional, and has been delivered to budget. The approach being adopted – use of rear-loading vehicles, and Alternate Weekly Collection (AWC), is common to a large number of other councils, and therefore not out of the ordinary. A high degree of political and public interest in changes such as adopting AWC is also to be expected, but again not out of the ordinary. The evidence provided also supports that there has been appropriate member involvement in key decision making, and that there is appropriate, regular monitoring of progress on the project through a project board.

### **Hop Oast Depot Redevelopment**

We have reviewed project board agendas/minutes, project highlight reports, and finance trackers. We have also discussed the project with the Head of Finance. We have concluded that the project does not represent a significant risk to our Value for Money Conclusion in 2017/18. As with the Leisure Centre project, the majority of key decision making took place prior to 2017/18 and the information provided indicates that the project has been completed to target both in terms of overall budget and expected timescales.

The project was significant in terms of overall cost, but not out of the ordinary. The evidence provided also supports the conclusion that there has been appropriate member involvement in key decision making, and that there was appropriate, regular monitoring of progress on the project through a project board comprising senior officers and external experts.



## **2016/17 Grant Certification Work**

We are including our annual certification report as a separate item on the agenda for the Audit Committee.

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## Ernst & Young LLP

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