

# Horsham District Council

## Accounts, Audit and Governance Committee Progress Report

June 2016



Building a better  
working world



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

6 June 2016

## **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 Accounts, Audit and Governance Committee in March 2016. The purpose of this report is to provide the Committee with an overview of our plans for the 2015/16 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.

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  
Director  
For and on behalf of Ernst & Young LLP  
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# Contents

<b>2015/16 audit.....</b>	<b>2</b>
<b>Appendix 1 – Timetable for the 2015/16 audit .....</b>	<b>4</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.psa.co.uk) (www.psa.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 Accounts, Audit and Governance 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.

## 2015/16 audit

### **Fee letter**

We issued our 2015/16 fee letter to the Council in April 2015.

### **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 2015/16 and bring the audit forward for 2016/17. We will continue to liaise with officers to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity. Where possible we seek to rely on the controls within the Council's financial systems.

We have been liaising with Internal Audit with a view to placing reliance on the testing of controls which they perform in the normal course of their annual plan.

We have set out an outline timetable for the audit in Appendix 1.

### **Planning visit**

Our work to identify the Council's material income and expenditure systems and to walk through these systems has been completed and our review of the controls work performed by Internal Audit has also been completed.

There are no matters arising from our initial planning meetings that we need to bring to your attention at this stage.

### **Internal Audit**

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

### **Post Statements audit**

We have agreed dates for our post statements audit with officers and agreed a timetable for the receipt of the draft financial statements and working papers. We are planning to commence our post-statements work in July 2016.

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**

We reported the changes in the value for money (VFM) approach to you in our March progress report.

We have carried out our initial risk assessment. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion, which we reported to you in our Annual Audit Plan to the March Committee.

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**Significant value for money risks****Our audit approach**

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**Sustainable Resource Development**

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Local government continues to face considerable financial challenges and Horsham District Council is not immune from these pressures.

We are aware from our review of the Council's budget monitoring for 2015-16 to quarter 3 that it is forecasting a budget underspend of around £73,000 for the year. The Council has also set a balanced budget for 2016-17.

However, the financial position in future years is far more challenging and achieving financial balance will become progressively harder. The current medium term financial plan is predicting a significant budget gap over the following three years.

Our approach will focus on:

- ▶ Detailed review of how the medium term financial plan is created.
  - ▶ Examine and challenge the key assumptions used by the Council to create the medium term financial plan.
  - ▶ Review the extent to which the Council is dependent upon future savings. For significant savings we will test the estimated savings in order to ensure that the Council's assumptions are reasonable.
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## Appendix 1 – Timetable for the 2015/16 audit

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 2015/16 Accounts, Audit and Governance Committee cycle. We will provide formal reports to the Accounts, Audit and Governance Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Accounts, Audit and Governance Committee	Status
High level planning	<b>Ongoing</b>	Audit Fee Letter	January 2016	Completed
Risk assessment and setting of scope of audit	<b>December 2015 – January 2016</b>	Audit Plan	March 2016	Completed
Testing of routine processes and controls	<b>December 2015 – February 2016</b>	Audit Plan	March 2016	Completed
Year-end audit	<b>June - August 2015</b>	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2015	Not yet started
Annual Reporting	<b>October 2016</b>	Annual Audit Letter	November 2016	Not yet started



Audit phase	EY Timetable	Deliverable	Accounts, Audit and Governance Committee	Status
Grant Claims 2015/15	<b>June 2016 and September – November 2016</b>	Annual certification report	March 2017	Not yet started

In addition to the above formal reporting and deliverables we provide a progress update to each meeting and practical business insights and updates on regulatory matters through our Sector Briefings. The next briefing is due in June 2016.

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