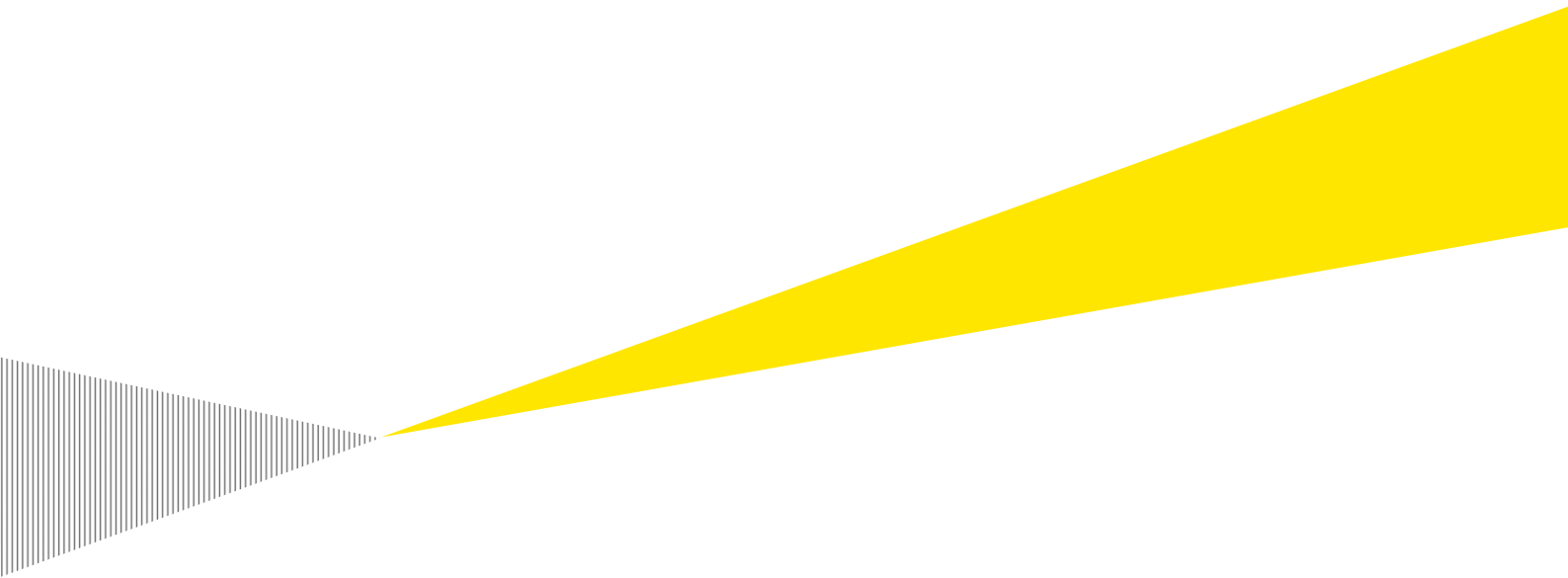


Chichester District Council

Corporate Governance & Audit Committee

Audit Progress Report

12 March 2015



Building a better
working world

Corporate Governance & Audit Committee
Chichester District Council
East Pallant House
1 East Pallant
Chichester
West Sussex
PO19 1YT

March 2015

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the 2014/15 audit, and an indication of progress against our plans. This Progress Report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, 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
Director
For and behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of Responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

2014/15 audit

Fee letter

We have agreed our 2014/15 audit fee with the Chief Executive and Head of Finance and Governance Services. A copy of our fee letter was issued to the 26 June 2014 meeting of the Corporate Governance & Audit Committee.

Financial Statements

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we regularly meet with key officers and other stakeholders. We will meet with the Chief Executive and the Head of Finance and Governance Services in early January as part of our regular programme of meetings with senior officers of the Council.

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls commenced in December 2014. The detailed testing of the controls and critical path of each material system is planned for February and March 2015. We will maximise the reliance we place on the work of Internal Audit to support our work in this area.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries and payroll.

The significant risk we have identified to the audit of the financial statements, and associated work we will carry out, is set out in our detailed audit plan which is also presented to this meeting of the Corporate Governance & Audit Committee.

Value for money

The Audit Commission has now issued its guidance on the 2014/15 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/08102014-VFM-guidance-2014-15.pdf>

There are no planned changes to the approach in 2014/15. We have identified no areas of significant risk to the value for money conclusion. Our areas of focus are set out in our detailed audit plan which is also presented to this meeting of the Corporate Governance and Audit Committee.

Follow up work on 2013/14 housing benefit subsidy claim

Following our qualification of the 2013/14 housing benefit subsidy claim in November 2014 the Department for Work and Pensions (DWP) wrote to the Council to inform it that, based on the extrapolated errors set out in our qualification letter, the amount of local authority error subsidy due to the Council would reduce by approximately £106,000. The value of extrapolated errors reported was approximately £110,000 for cases where there was insufficient evidence to support the assessment of claimant income in the calculation of benefit entitlement, and approximately £20,000 where an incorrect rent level had been used in the calculation of benefit entitlement. The DWP also made clear in its letter that it would proceed to make a decision on whether to recover some or all of the overpaid subsidy in relation to the extrapolated errors.

At the time of our original certification work and qualification letter the Council was not able to produce a total value for the sub-population of cases with earned income used to select our extended testing sample for the first error type (cases with earned income). The Council has now worked with its software supplier to produce full listings of cases with earned income for the affected detailed cell. We intend to undertake additional procedures to gain sufficient assurance that the sub-populations thereby produced are

reasonable. This may allow us to extrapolate the errors we found over the lower value sub-population of cases with earned income, which in turn may reduce the value of extrapolated error reported. The Council is undertaking further sample testing of the relevant population of cases for the second error type (cases where an incorrect rent was used). We will review and re-perform the Council's work as necessary and calculate a revised extrapolated error that considers the results from the initial testing undertaken and the further additional testing undertaken by the Council.

The results of the additional work undertaken for both types of cases, and any resulting change in the value of extrapolated errors, may also impact on the previously reported errors on the local authority error subsidy due to the Council. We will write to the DWP to inform it of our additional work and revised extrapolations in due course.

Timetable 2014/15

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 2014/15 Corporate Governance & Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Corporate Governance & Audit Committee	Status
High level planning	Ongoing	Audit Fee Letter	June 2014	Completed. Reported to the June 2014 meeting of the Corporate Governance & Audit Committee
Risk assessment and setting of scope of audit	December 2014 – April 2015	Audit Plan	March 2015	
Testing of routine processes and controls	Feb – April 2015	Audit Plan	June 2015	
Year-end audit	June - August 2015	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	.

Audit phase	EY Timetable	Deliverable	Associated Corporate Governance & Audit Committee	Status
Annual Reporting	October 2015	Annual Audit Letter	November 2015	
Grant Claims	September – November 2015	Annual certification report	January 2016	

In addition to the above formal reporting and deliverables we provided practical business insights and updates on regulatory matters through our Sector Briefings. The latest version of the Briefing is included as an attachment to this report.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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