

Chichester District Council

Corporate Governance & Audit Committee Progress Report

January 2016



Building a better
working world

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

12 January 2016

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 Corporate Governance & Audit Committee in November 2015. 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
Enc.

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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)

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.

Work completed

2015/16 audit

Financial statements audit

We issued our audit fee letter in April 2015 after discussion with officers.

We have started our audit planning and risk assessment with the aim of issuing our Audit Plan to the meeting of the Committee scheduled for March 2016.

We adopt a risk based approach to the audit and, as part of our ongoing planning, and 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

We carried out some initial work in December 2015 to update our understanding and carry out walkthroughs on key financial systems. Our work to review controls will take place in March and April 2016.

Post Statements audit

We have discussed the timing of 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 carry out our post-statements work in July and August 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

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for clinical commissioning groups, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;

- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

Reporting requirements:

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out in paragraphs above. However, in a change from last year, rather than issuing a conclusion by reference to the above criterion, we will report by exception only. If we do report by exception, it will be done by reference to the same criterion and sub-criteria.

2014/15 Grant Certification Work

We completed the initial testing of your 2014/15 housing benefit subsidy claim in June 2015 and the final testing in October and November 2015. We certified the subsidy claim by the deadline of 30 November 2015, submitting our qualification letter to the DWP dated 26 November 2015. A small number of low value amendments were also made to the audited claim as a result of our work. Although there had been some improvement in arrangements to prepare the claim, and the value of extrapolated errors reported in our qualification letter was significantly lower than in the previous period, there remains scope for the Council to further improve its arrangements in this area. In particular the Council needs to continue to ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.

Further details will be presented in our certification report which will be presented to the next meeting of the Committee.

Local appointment of auditors

The Department for Communities and Local Government has recently announced that it has decided to extend the existing arrangements for awarding external audit contracts by one year, to the end of 2017/18. From 2018/19 onwards, larger local government bodies, including fire and rescue authorities, police bodies and other local government bodies will be responsible for appointing their own auditors, and directly managing the resulting contract. It is not clear yet whether there will be a sector-led body to carry out procurements and appointments of auditors on behalf of local government bodies, CIPFA has been asked by DCLG to prepare guidance for local government bodies on developing local auditor panels.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 financial years.

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 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	Corporate Governance & Status Audit Committee	
High level planning	Ongoing	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	December 2015 – January 2016	Audit Plan	March 2016	Not yet started
Testing of routine processes and controls	March - April 2016	Audit Plan	March 2016	Not yet started
Year-end audit	July - August 2016	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 2016	Not yet started
Annual Reporting	October 2016	Annual Audit Letter	November 2016	Not yet started

Audit phase	EY Timetable	Deliverable	Corporate Governance & Status Audit Committee	
Grant Claims 2015/15	June 2016 and September – November 2016	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.

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