

Mid Sussex District Council

Audit Committee Progress Report

November 2016



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working world



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Audit Committee
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7 November 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 Audit Committee in September 2016. The purpose of this report is to provide the Committee with an overview of our plans for the 2016/17 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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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

2016/17 audit

Financial statements audit

We issued our audit fee letter in April 2016 after discussion with officers and this is attached to this report for your attention.

We will start our audit planning and risk assessment in the latter part of 2016 with the aim of issuing our Audit Plan to the meeting of the Committee scheduled for March 2017.

We adopt a risk based approach to the audit and, as part of our ongoing planning, we held a de-brief meeting with key officers to discuss how we can work together to improve the accounts production and audit process for 2016/17. We will continue to liaise with officers to ensure the 2016/17 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 and controls is planned to commence in December 2016 and continue in March 2017.

Post Statements audit

We have discussed the timing of our post statements audit with officers. Anticipating the move to faster closing, 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 bring forward our post statements work on the 2016-17 statement of accounts. We are planning to start our work in July 2017.

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 will plan our 2016/17 value for money risk assessment in spring 2017.

We expect to carry out our detailed work in early 2017 so that it is completed before the year end.

2015/16 Grant Certification Work

We completed the initial testing of your 2015/16 housing benefit subsidy claim in October 2016. The audit team are currently reviewing the additional testing performed by CenSus staff as a result of the issues identified during our initial testing, and we expect to certify the claim by the deadline of 30 November 2016.

We will give you a verbal update on the outcome of the housing benefit testing at the meeting in March

Local appointment of auditors

The Department for Communities and Local Government (DCLG) 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. DCLG has designated PSAA Ltd as the sector-led body under the Regulations to carry out procurements and appointments of auditors on behalf of local government bodies, and councils are likely to be invited to opt into the PSAA arrangements (if they decide to exercise this option) in the coming months.

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

Other information

EU Referendum

The decision of the UK to begin the process of leaving the EU has introduced a period of significant uncertainty for the UK and indeed Global economy. The Leave vote will lead to a significant impact for the public sector as it will be the sector that has to deliver the implementation of Brexit. There has been a change of Prime Minister and other changes to the cabinet as a result. In addition, the opposition leadership contest is currently taking place. It is evident that there is a danger of continued political uncertainty for a number of months – and this will in turn increase uncertainty both within the public sector and in the business world.

Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of Brexit and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.

We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will talk with you on the concerns and questions you may have and provide our insight at key points along the path. We have a dedicated website which includes our latest thinking, which can be found at: <http://www.ey.com/uk/en/issues/business-environment/eu-referendum>.

Other issues of interest

In addition to our formal reporting and deliverables, we provide practical business insights and updates on regulatory matters through our Sector Briefings. A key article from the July briefing which was circulated outside of the Audit Committee.

Government lending to local authorities

Changes to the way that the central government will lend money to local authorities are currently being consulted on. Following the devolution of borrowing powers in 2004, local authorities take the lead in identifying projects for which they require funding and assessing how much they can afford to borrow, meaning that the decision-making body Public Works Loan Board is no longer required.

The government have suggested the transferral of powers from the now obsolete PWLB to HM Treasury to increase the efficiency of lending to local authorities and ensure more accountability to ministers.

Appendix 1 – Timetable for the 2016/17 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 2016/17 Audit Committee cycle. We will provide formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
High level planning	Ongoing	Audit Fee Letter	November 2016	Completed – Circulated to members in April 2016, Attached to this report
Risk assessment and setting of scope of audit	December 2016 – January 2017	Audit Plan	March 2017	Not yet started
Testing of routine processes and controls	December 2016 – March 2017	Audit Plan	March 2017	Not yet started
Year-end audit	July – August 2017	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 2017	Not yet started
Annual Reporting	October 2017	Annual Audit Letter	November 2017	Not yet started

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
Grant Claims 2016/17	June 2017 and September – November 2017	Annual certification report	March 2018	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 December 2016.

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