



Mid Sussex District Council
Audit results report

Year ended 31 March 2017

Private and Confidential

Dear Audit Committee Members

We have substantially completed our audit of Mid Sussex District Council for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (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 (updated September 2015)" 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..

This report is made solely to the **Audit Committee, other members of the Authority and management of Mid Sussex District Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit Committee, other members of the Authority and management of Mid Sussex District Council** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee, other members of the Authority and management of Mid Sussex District Council** for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 23 January 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1.3 million. We reassessed this using the actual year-end figures which has increased this amount to £1.332 million. The threshold for reporting audit differences has increased from £65,000 to £67,000. The basis of our assessment of materiality has remained consistent with prior years at 2 % of gross operating expenditure.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: Strategy applied: no specific testing threshold applied, the impact of any issues to be considered individually
- Related party transactions. Strategy applied: no specific testing threshold applied, the impact of any issues to be considered individually
- We carried out our work in accordance with our Audit Plan.

Status of the audit

We have substantially completed our audit of Mid Sussex District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of the work on the value for money risk identified and included in our Audit Plan
- completion of work on journal testing; NDR appeals provision; related parties; creditors; borrowing; debtors; Collection fund and related balances in the CIES and disclosure testing
- overall review of the work completed
- completion of our work on the significant estimates
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter; and
- comparison of the summary of accounts to the audited financial statements



Executive Summary

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We have not identified any unadjusted or adjusted audit differences arising from our audit completed to date.



Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Mid Sussex District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- During the year the Council entered into the purchase of the head lease of The Orchards Shopping Centre in Haywards Heath for some £23 million. This is a significant transaction for the Council and requires a significant use of reserves and external borrowing.
Given the value of this transaction and the fact that the Council has taken the decision to fund this in part through external borrowing and in part from reserves, we have assessed this as a significant risk for the value for money conclusion.

We have not completed our work on the significant risk identified in the Audit Plan, subject to completing this review, we anticipate having no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive summary (continued)



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence.





02

Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach:

Management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Overall our work to date has not identified any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.

What is the risk?

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

 In Audit Report

 Significant Risk

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias. The key estimates for Mid Sussex District Council are Pension Liabilities; valuation of Property, Plant and Equipment (PPE) and Investment Property; and the NDR appeals provision; and
- We evaluated the business rationale for any significant unusual transactions. The largest unusual transaction for Mid Sussex District Council in 2016/17 was the purchase of the head lease of The Orchards Shopping Centre.