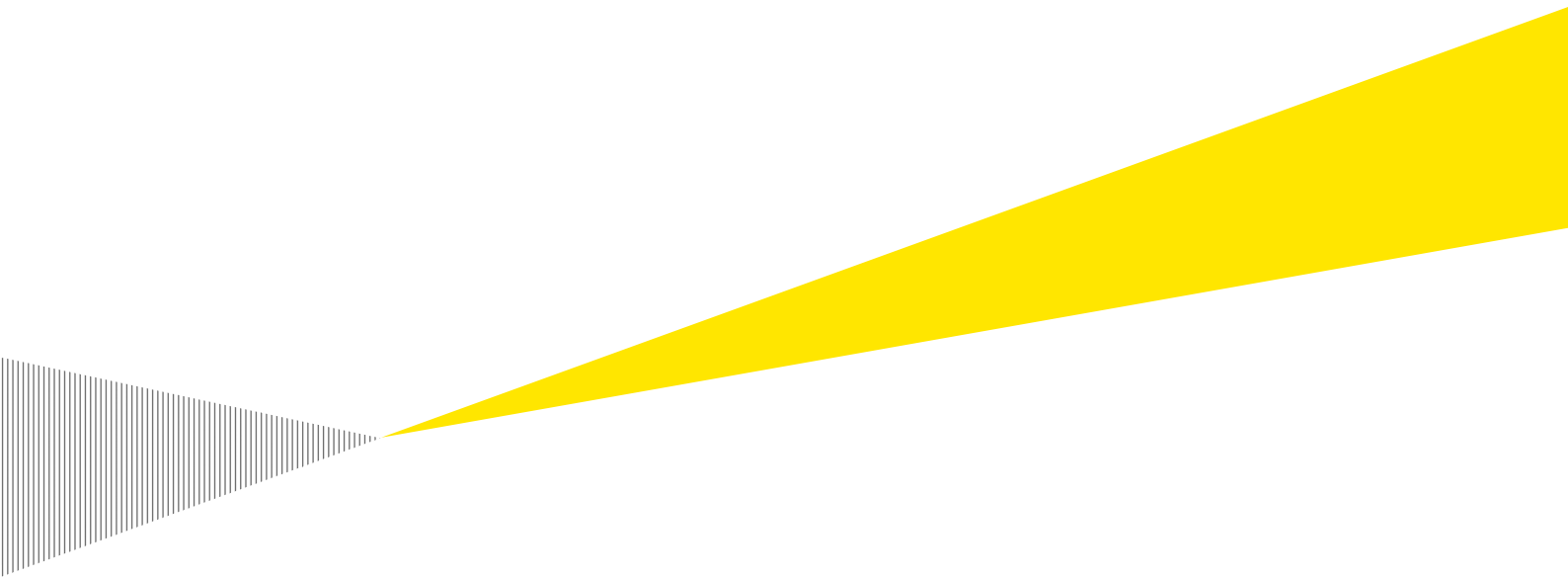


# Havant Borough Council

Governance and Audit Committee Progress Report

3 March 2015



Building a better  
working world



Governance and Audit Committee  
Havant Borough Council  
Public Service Plaza  
Civic Centre Road  
Havant  
PO9 2AX

20 February 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 2013/14 audit, and an outline of our draft timetable for the 2014/15 audit. 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



Helen Thompson  
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.

## Work completed 2013/14

We are presenting our annual report on the certification of claims and returns to the Committee today. This completes our work in relation to the 2013/14 financial year.

Audit phase	Deliverable	Status
High level planning	Audit Fee Letter	Completed - Reported to the March 2013 Committee
Risk assessment and setting of scope of audit	Audit Plan	Completed – Reported to the June 2014 Committee
Testing of routine processes and controls	Audit Plan	Completed – Reported to the June 2014 Committee
Year-end audit	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	Completed – Reported to the September 2014 Committee
Annual Reporting	Annual Audit Letter	Completed – Reported to the December 2014 Committee
Grant Claims	Annual certification report	Completed – Reported to the March 2015 Committee

### Scale fee variation letter

We issued our annual audit letter on 17 October 2014, and we reported the final audit fees, as required by the Audit Commission, within that report.

The Audit Commission recently consulted on a supplement to the 2014/15 audit scale fees. Following that consultation, the Audit Commission has applied a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as an audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission asked us to agree a scale fee variation of £900 to that audit fee with you. This was agreed by the Executive Head of Governance and Logistics on 13 January 2015.

The revised final scale fee in respect of the 2013/14 audit is set at £64,083 compared to the fee reported in the annual audit letter of £63,183 and an original scale fee of £61,500.

## Work completed 2014/15

### **Audit fee letter**

We presented our audit fee letter for 2014/15 to the June 2014 Governance and Audit Committee.

### **Financial Statements**

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we have held a number of meetings with key officers and other stakeholders:

- December 2014 – our quarterly meeting with the Executive Head of Governance and Logistics and the Finance Service Manager to update our understanding of the challenges and risks you are facing. This forms a key part of our continuous audit planning.
- January and February 2015 – we held ongoing discussions with key finance staff to discuss significant risks and emerging issues around the accounts preparation process.
- February 2015 – EY held a public sector accountancy workshop to update key accounting staff on the changing legislative and accounting landscape within local government for 2014/15. The Corporate Accountancy Team Leader attended on behalf of the Council.
- We have continued to liaise with Internal Audit to ensure we can place reliance on their work where possible.

Our work to identify the material income and expenditure systems was completed in January 2015. The detailed walk through of these systems, and where appropriate the testing of the controls and critical path of each material system, is planned for February and March 2015. We will communicate the results of this work to you in our Audit Plan which will be presented to the Governance and Audit Committee in June.

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

### **Value for money**

The Audit Commission has issued its guidance on the 2014/15 value for money conclusion.

There are no planned changes to the approach in 2014/15. Our initial risk assessment is ongoing and we will report the risks we have identified and associated work we will carry out to the June 2015 Governance and Audit Committee.

## 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 Governance and Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Governance & Audit Committee	Status
Notification of audit fee	<b>Ongoing</b>	Audit Fee Letter	June 2014	Completed - Reported to the June 2014 Committee
Risk assessment and setting scope of audit	<b>Feb - April 2015</b>	Audit Plan	June 2015	-
Testing of routine processes and controls and early substantive testing	<b>Feb – April 2015</b>	Audit Plan	June 2015	-
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	-
Annual Reporting	<b>October 2015</b>	Annual Audit Letter	December 2015	-
Grant Claims	<b>September – November 2015</b>	Annual certification report	February 2016	-



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