



Portsmouth City Council

Year ending 31 March 2013

Audit Progress Report

March 2013

Governance, Audit and Standards Committee
Portsmouth City Council
Civic Offices
Guildhall Walk
Portsmouth
PO1 2AL

21 February 2013

Dear Sir/Madam

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

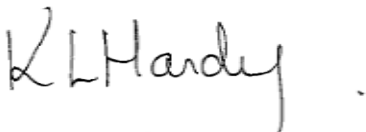
Our report sets out the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in planning your 2012/13 audit. This Progress Report is the first step in ensuring that our audit is aligned with the Committee's service expectations.

Our audit will be 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.

This report begins to assess and identify the key risks we have identified during the initial planning discussions with officers and internal auditors. Once we have finalised this work, these risks will drive the development of an effective audit for the Council. Our detailed Audit Plan will outline our planned audit strategy in response to those risks. We will agree our detailed Audit Plan with officers as soon as possible and hope it will be available to present it to the next Committee in March 2013.

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



Director
For and behalf of Ernst & Young LLP
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1. Work completed

Meetings

We have held a number of planning meetings with the Executive, key officers and other stakeholders as part of our audit planning process:

- November/December 2012 – Meetings with the Head of Finance to discuss the medium term financial strategy and significant risks faced by the Council.
- November/December 2012 – Meetings with Internal Audit to discuss the significant risks being faced by the Council.
- 11 December – Meeting with Head of Information services to discuss arrangements for our assessment of the Council's IT control environment
- 18 December 2012 – Meeting with key finance staff to discuss risks around the account preparation process.
- 18 December 2012 – Meeting with the Corporate Strategy Manager and Corporate Performance Manager to discuss the significant risks faced by the Council
- 30 January 2013 – Meeting with the Chief Executive, Monitoring Officer and Head of HR, Legal & Performance to discuss the significant risks faced by the Council

Discussion of significant risks

We have held a number of meetings with the Executive and key finance officers, and used historic knowledge in the team to identify the significant risks being faced by the Council. These discussions are ongoing.

We will seek to validate the risks we have identified to date with officers as well as discuss any additional risks that the Audit Committee has highlighted through its work.

Initial opinion risks identified

Planning discussions and other audit planning procedures have not identified any significant opinion risks that we see the Council facing.

Value for money assessment

We are in the process of completing our initial risk assessment for our value for money work against the Audit Commission's specified criteria and areas of focus. Discussions to date have identified the following significant risks that we see the Council is facing:

- *The need to redefine and communicate the strategic objectives underpinning the great water-front city brand ;*
- *The development of revised performance management arrangements to monitor the Council's delivery of these objectives; and*
- *The associated refinement of risk management arrangements.*

Assessment of the Council's internal controls

We are in the process of reviewing system design and the operation of controls.

Work completed

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in June 2013 and your NDR claim in September 2013.

2. Timetable

Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit Committee cycle.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	November	Fee Letter
Risk assessment and setting of scopes	November/ January	
Testing of routine processes and controls	February/March	Audit Plan Interim Report (if required)
Value for money conclusion	March/June	
Year-end audit	July – September	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). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Annual Audit Letter
Grant claims	December	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Ongoing planning discussions

We will conclude our planning discussions during March 2013. We will discuss and share our draft 2012/13 Audit Plan with the Executive and officers. We intend to discuss our 2012/13 Audit Plan with the Governance, Audit and Standards Committee in March 2013.

Appendix 1: Audit Progress on Deliverables

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	December 2013	Completed	Reported to Chief Executive, Chair of Governance, Audit and Standards Committee, Head of Finance and Head of HR, Legal & Performance
Audit Plan	March 2013	In draft	We plan to agree with officers and present to March Committee
Report to Those Charged with Governance	September 2013		
Audit Report (including opinion and vfm conclusion)	September 2013		
Audit Certificate	September 2013		
WGA Certificate	September 2013		
Annual Audit Letter	October 2013		
Report on the Audit of Grant Claims	December 2013		

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