

# Portsmouth City Council

Governance and Audit and Standards Committee  
Progress Report

June 2017



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working world





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## **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 Governance and Audit and Standards Committee in March 2017. The purpose of this report is to provide the Committee with an update of our plans for the 2016/17 audit, to ensure they are aligned with your service expectations.

Our audit is 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 to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson  
Executive 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.psa.co.uk) (www.psa.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.

## 2016/17 audit

### **Financial statements audit**

We issued our 2016/17 Audit Plan in February 2017 where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach. Our Plan was presented to the March meeting of the Governance and Audit and Standards Committee.

### **Interim visit**

We carried out our interim visit in February and March 2017, to undertake outstanding documentation and walkthroughs of material systems, complete controls testing and undertake early substantive and value for money testing. We have liaised with Internal Audit and where possible have placed reliance on the testing of controls which they perform in the normal course of their annual plan.

### **Post Statements audit**

We are looking to start our post statements work on the 2016/17 statement of accounts during 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.

Our audit results report, setting out the findings of our work and overall conclusions, will be presented to the Audit Committee at its September meeting. We note that the date for this meeting has not yet been confirmed. However, the meeting must be held before 30 September 2017 to ensure the statement of accounts is approved before the statutory deadline.

We have set out an outline timetable for the audit in Appendix 1.

### **Value for money assessment**

We have identified one significant risk to our value for money conclusion, as reported in our Audit Plan.

We expect to complete our detailed work during our post statements audit visit.

### **2016/17 Grant Certification Work**

Portsmouth City Council will be carrying out initial testing of cases for the 2016/17 housing benefit subsidy claim from June until August 2017. Our repeat performance work will be conducted in October 2017.

We will present our grant claims certification report to the early 2018 meeting of the Governance and Audit and Standards Committee.

## Looking ahead

### **Local appointment of auditors for financial statements audits**

As previously reported to the Committee, the Council has joined the PSAA Ltd sector-led process to carry out the procurement and appointment of external auditors on behalf of local government bodies for 2018/19 onwards.

Firms meeting the qualification criteria for the procurement process submitted tenders for the local government audit contract in May 2017. The contract is divided into six lots, with each firm eligible to win a maximum of one lot. The precise make-up of each lot will be determined in the period following the outcome of the tendering process and will be based principally on ensuring auditor independence, trying to achieve continuity of appointed auditor where possible, and appointing a common auditor for bodies with a close association between them.

Tenders are evaluated based on an assessment of audit quality and price, with a 50/50 weighting between these criteria.

The outcome of the tender is expected to be confirmed mid June 2017.

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

### **Local appointment of auditors for grant claim certification**

As noted above, from 2018/19, the Council will be responsible for appointing their own auditor, including making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP. This process will be outside the PSAA Ltd sector-led process described above, so the Council will need to make its own individual arrangements to appoint an auditor for this work. The appointment process will need to be completed by the end of February 2018.

Further information can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/585740/s1-2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585740/s1-2017.pdf)

Existing external audit arrangements for housing benefit grant claim certification will remain unchanged for the 2016/17 and 2017/18 financial years.

## 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 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 and liaison	<b>Ongoing</b>	Audit Fee Letter	November 2016	Complete
Risk assessment and setting of scope of audit	<b>December 2016 – January 2017</b>	Audit Plan	March 2017	Complete
Testing of routine processes and controls	<b>February 2017</b>	Progress Update	March 2017	Complete
Year-end audit	<b>July - August 2017</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	To be confirmed	Not yet started
Annual Reporting	<b>October 2017</b>	Annual Audit Letter	To be confirmed	Not yet started
Grant Claims 2016/17	<b>October 2017</b>	Annual certification report	To be confirmed	Not yet started



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