

Ipswich Borough Council

External Audit Update Report

June 2017

Ernst & Young LLP





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Audit and Governance Committee
Ipswich Borough Council
Grafton House
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Dear Members

External Audit Update

We are pleased to attach our Audit Update Report. This report summarises the work we have undertaken to date and our plans for the remainder of the 2016/17 year. The purpose of the report is to provide the Audit and Governance Committee with an overview of the stage we have reached in our 2016/17 audit and ensure our audit is aligned with the Committee's service expectations.

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 sincerely

Kevin Suter
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1. Summary

1.1 Financial statements

We are required to give an audit opinion on whether the financial statements of Ipswich Borough Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we review your published Council, Cabinet and committee minutes and papers along with the information we have on the wider local government environment.

We met with the Council's new Head of Finance and Revenues (s151 Officer) in May 2017 as part of our ongoing planning discussions and in order to develop our understanding of the challenges and risks you are facing to inform our work on your financial statement and value for money arrangements.

We have also had ongoing discussions with the Head of Internal Audit and other members of the finance team to ensure our knowledge remains current.

Early Testing

We have undertaken some early substantive testing as part of our interim audit for 2016/17. The work has not progressed as much as we had planned due to the delay in signing off the 2015/16 accounts, however the position is improved in terms of our progress compared to prior year.

In March we performed our interim audit work which included:

- ▶ documenting our understanding of the Council's material income and expenditure systems by walkthrough testing; and
- ▶ early substantive testing on Senior Officers Remuneration, Payroll testing, the Narrative Report and Council Dwelling Disposals. We have also selected samples for our work on income and expenditure transactions.

Our walkthroughs of the material financial systems are substantially complete apart from updating for processes which occur at year end; for example the additions and disposals of assets.

There are no matters arising from this work that we need to bring to the attention of the Committee.

Group Accounts

As the primary audit team of the Council's group accounts, we have now been provided with sufficient information to be able to assess the impact of Ipswich Borough Assets Ltd.

We have determined that Ipswich Borough Assets Ltd is an in-scope component and have assigned Specific Scope to the company. Following receipt of the accounts for the company, we are finalising our planning in this area.

We are due to return to the Council in July to undertake our work on the audit of the draft statement of accounts. This will include topping up our early sample testing on income and expenditure transactions.

1.2 Value for money conclusion

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

Our VfM planning is a continuous process through the audit.

In 2015/16, we reported a number of issues in relation to the set-up of Ipswich Borough Assets Ltd and included recommendations for the Council to consider.

We will continue to follow up on our VfM findings above as part of our 2016/17 audit and are currently awaiting further information from the Council in response to the recommendations raised.

We have identified no further VfM risks since we presented our audit plan to you at the March Committee.

1.3 Certification of Claims and Returns

Housing Benefits Subsidy Claim

We presented our annual certification report for 2015/16 to the March Committee, and at that time the Committee sought clarity whether the initial testing for the 2016/17 claim would be undertaken by EY, or undertaken by Council officers with EY re-performing a sample.

The Council has confirmed that the detailed testing of initial samples and the extended 40+ sample for 2016/17 will be undertaken by the Council's Benefits Team.

We have provided the Team with a training session on the completion of Housing Benefits workbooks in mid-April and have also provided the selected sample in May/June so that the Team can make an early start on the work.

Housing Pooling Return

The 2015/16 return has now been completed and certified on 4 May 2017. Due to a number of errors found in the original return, additional work has been undertaken to address the issues and this has resulted in additional fee which we are discussing with officers. We will be providing the details in our 2016/17 Annual Certification Report in relation to this return.

1.4 Local appointment of auditors

The Department of Communities and Local Government has announced that it has decided to extend the existing arrangements for awarding external audit contracts to the end of 2017/18. From 2018/19 onwards, authorities are responsible for appointing their own auditors.

Ipswich Borough Council was among 98% of eligible bodies that decided to opt-in to the PSAA's procurement arrangements.

PSAA's strategy can be found at <http://www.psa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

The contract award decision is due to be made by the PSAA Board in June 2017, with the consultation process on the appointment of specific auditors run during August and September 2017.


2. Timetable

2.1 Audit timeline

We set out below a timetable showing the key stages of the audit, and the deliverables we will provide to you.

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

Audit phase	Timetable	Deliverables
High level planning:	Already issued	▶ Audit Fee Letter
Risk assessment and setting of scope of audit	March 2017	▶ Audit Plan
Testing of routine processes and early substantive testing	March/April 2017	▶ Update report
Year-end audit	July/August 2017	<ul style="list-style-type: none"> ▶ Report to those charged with governance in August/September ▶ Audit report on the financial statements and value for money conclusion ▶ Audit completion certificate
Reporting	October 2017	▶ Annual Audit Letter



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

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