

Brighton & Hove City Council

Audit & Standards Committee Progress Report

24 June 2014



Building a better
working world

Audit & Standards Committee
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

24 June 2014

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 indication of progress against our plans. 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.

2013/14 audit

Fee letter

We issued our 2013/14 fee letter to the April 2013 meeting of the Audit & Standards Committee.

Financial Statements

Our work to identify the Council's material income and expenditure systems and to walk through these systems is now complete. Our work to test the operation of controls in the Council's material financial systems is also now complete. Wherever possible we have placed reliance on the work of Internal Audit to support our work in this area. We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries and payroll.

Our assessment of the risks impacting on the audit of the financial statements for the Council was set out in our 2013/14 Audit Plan presented to the March meeting of the Audit & Standards Committee. The Plan has been discussed and agreed with the Chief Executive and Executive Director of Finance & Resources. As part of that Plan we reported that we had initially determined our overall materiality for the financial statements of the Council as £15.8 million, based on 2% of 2012/13 gross service expenditure, and that we would communicate all uncorrected audit misstatements greater than £791,000 to you. However, following the issue of the Plan we have re-considered the impact of an allegation received by the Council from a whistle blower during the year, relating to a historic failure to declare a material related party interest, on our approach to the audit of the 2013/14 financial statements and materiality level. In light of this, we have revised our overall materiality to £7.9 million, based on 1% of 2012/13 gross revenue expenditure, and will communicate all uncorrected misstatements greater than £395,000 to you. We will update our materiality again based 2013/14 gross revenue expenditure per the draft financial statements submitted for audit, that you are considering at today's meeting of the Committee

We started our detailed testing of the financial statements on 16 June 2014 and intend to report the findings of our work to you at the September meeting of the Committee in our audit results report.

Value for money

The Audit Commission has now issued its guidance on the 2013/14 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/technicaldirectory/vfm1314/>. There are no planned changes to the approach in 2013/14.

We have included our assessment of the risks impacting on the 2013/14 VFM conclusion at the Council in our Audit Plan presented to the Audit & Standards Committee in March.

2014/15 audit

Fee letter

We have agreed our 2014/15 audit fee with the Chief Executive and Director of Finance & Resources. A copy of our fee letter is included on the agenda for this meeting for the Committee's information.

Timetable

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 2013/14 Audit & Standards Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Audit & Standards Committee	Status
High level planning	Ongoing	Audit Fee Letter	March 2013	Completed. Reported to the April 2013 meeting of the Audit & Standards Committee
Risk assessment and setting of scope of audit	Feb – April 2014	Audit Plan	March 2014	Complete. Our assessment of the risks impacting on our financial statements and VFM conclusion audit is set out in our 2013/14 Audit Plan presented to this March 25 meeting of the Audit & Standards Committee.
Testing of routine processes and controls	Feb – April 2014	Audit Plan	June 2014	Completed. The results of our controls testing have not altered our risk assessment.
Year-end audit	June - August 2014	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 2014	Our detailed audit started on 16 June 2014

Audit phase	EY Timetable	Deliverable	Associated Audit & Standards Committee	Status
Annual Reporting	October 2014	Annual Audit Letter	November 2014	-
Grant Claims	September – November 2014	Annual certification report	January 2015	

EY | Assurance | Tax | Transactions | Advisory

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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