

# Brighton & Hove City Council

## Audit & Standards Committee Progress Report

10 March 2015



Building a better  
working world



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

March 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 and 2014/15 audits, 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



Paul King  
Director  
For and behalf of Ernst & Young LLP



# Contents

<b>2014/15 audit</b> .....	<b>2</b>
<b>Timetable 2014/15</b> .....	<b>4</b>

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.

## 2014/15 audit

### Fee letter

Our 2014/15 fee letter was issued to the June 2014 meeting of the Audit & Standards Committee.

### Financial Statements

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

- We have met with the Council's Central Accounting team and Estates Manager to discuss a number of current accounting and asset valuation issues as part of our planned approach to the audit. We understand that good progress is being made by Central Accounting in revisiting its processes for closedown of the ledger and production of the financial statements. It plans to produce the financial statements more directly from the trial balance on the general ledger, with much less need for manual adjustments to be made as part of closedown processes. It also plans to continue its work to eliminate any unnecessary disclosures in the financial statements. If it is able to do this successfully it should increase the speed with which the financial statements can be produced and help both the Council and us to achieve earlier deadlines for production, approval and audit of the financial statements from 2017/18.
- We intend to place reliance on controls testing undertaken by Internal Audit in a number of areas. We are currently reviewing the work it has undertaken to determine whether we are able to place reliance on it.
- As in 2013/14 our IT audit specialists are undertaking detailed testing of general IT controls within the Council's Northgate revenue and benefits system. This work has started and detailed findings will be separately reported to the Council.

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls is complete. The detailed testing of the controls and critical path of each material system is planned for March and April 2015.

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.

The significant risk we have identified to the audit of the financial statements, and associated work we will carry out, are set out in our detailed audit plan which is also presented to this meeting of the Audit & Standards Committee

### Value for money

The Audit Commission has now issued its guidance on the 2014/15 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/08102014-VFM-guidance-2014-15.pdf>

There are no planned changes to the approach in 2014/15. We have carried out our initial risk assessment. The significant risk we have identified to the value for money conclusion, and associated work we will carry out, is set out in our detailed audit plan.

### **Follow up work on 2013/14 housing benefit subsidy claim**

Following our qualification of the 2013/14 housing benefit subsidy claim in November 2014 the Department for Work and Pensions (DWP) wrote to the Council to inform it that, based on the extrapolated errors set out in our qualification letter, the amount of local authority error subsidy due to the Council would reduce by approximately £113,000. The total value of extrapolated errors reported, which all related to miscalculation of earned income in the award of benefit entitlement, was approximately £379,000. The DWP also made clear in its letter that it would proceed to make a decision on whether to recover some or all of the overpaid subsidy.

At the time of our original certification work and qualification letter the Council was not able to produce a total value for sub-populations of cases with earned income used to select our extended testing samples. The Council has now worked with its software supplier to produce full listings of cases with earned income for each of the affected detailed cells. We have undertaken additional procedures to gain sufficient assurance that the sub-populations thereby produced are reasonable. This has allowed us to extrapolate the errors we found over the lower value sub-populations of cases with earned income, which reduces the value of extrapolated errors reported by approximately £130,000 and negates the impact of the previously reported errors on the local authority error subsidy due to the Council. We have written to the DWP to inform it of our additional work and revised extrapolations.

## 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 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	<b>Ongoing</b>	Audit Fee Letter	June 2014	Completed. Reported to the June 2014 meeting of the Audit & Standards Committee
Risk assessment and setting of scope of audit	<b>Feb – April 2015</b>	Audit Plan	March 2015	
Testing of routine processes and controls	<b>Feb – April 2015</b>	Audit Plan and audit results report	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	.



Audit phase	EY Timetable	Deliverable	Associated Audit & Standards Committee	Status
Annual Reporting	<b>October 2015</b>	Annual Audit Letter	November 2015	
Grant Claims	<b>September – November 2015</b>	Annual certification report	January 2016	

**EY** | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.  
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

[ey.com](http://ey.com)