

# Isle of Wight Council

Audit Committee Progress Report

December 2016



Audit Committee  
Isle of Wight Council  
County Hall  
Newport  
Isle of Wight  
PO301UD

21 November 2016

## **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 Audit Committee in September 2016. The purpose of this report is to provide the Committee with an overview 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 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 \(www.psaa.co.uk\)](http://www.psaa.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 audit fee letter in April 2016. A copy of the fee letter is included as an external appendix to this progress report for information.

We will start our audit planning and risk assessment in December 2016 with the aim of issuing our Audit Plan to the meeting of the Committee scheduled for February 2017.

We adopt a risk based approach to the audit and, as part of our ongoing planning, we will continue to consider how we can work to improve the accounts production and audit process for 2016/17. We will continue to liaise with officers to ensure the 2016/17 audit runs as smoothly as possible and identify any risks at the earliest opportunity. Where possible we seek to rely on the controls within the Council's financial systems.

We will liaise with Internal Audit with a view to placing reliance on the testing of controls which they perform in the normal course of their annual plan.

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

### **Planning visit**

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls is planned to commence in December 2016 and continue in March 2017.

### **Post Statements audit**

Anticipating the move to faster closing, whereby the Council will have to publish its audited statement of accounts by 31 July 2018 for the 2017/18 financial year, we are looking to start our post statements work on the 2016/17 statement of accounts at the beginning of August 2017, which is earlier than has traditionally been the case for the Council.

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.

### **Value for money assessment**

We will plan our 2016/17 value for money risk assessment in spring 2017.

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

### **2015/16 Grant Certification Work**

Work on your 2015/16 housing benefit subsidy claim is virtually complete at 21 November 2016. The claim will be certified subject to amendment and qualification, with the overall level of error detected being broadly consistent with recent previous years. Amendments made to the claim as a result of our work have no impact on the level of subsidy claimed by the Council.

We will present our grant claims certification report to the February 2017 meeting of the Audit Committee.

### **Local appointment of auditors**

As previously reported to the Committee, the Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, larger local government bodies, including fire and rescue authorities, police bodies and other local government bodies will be responsible for appointing their own auditors, and directly managing the resulting contract. DCLG has designated PSAA Ltd as the sector-led body under the Regulations to carry out procurements and appointments of auditors on behalf of local government bodies, and councils are likely to be invited to opt into the PSAA arrangements (if they decide to exercise this option) in the coming months.

Existing external audit arrangements 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	<b>Ongoing</b>	Audit Fee Letter	Agreed in April 2016. Issued as an external appendix to this progress report.	Completed
Risk assessment and setting of scope of audit	<b>December 2016</b>	Audit Plan	February 2017	Not yet started
Testing of routine processes and controls	<b>December 2016 – April 2017</b>	Audit Plan	February 2017	Not yet started
Year-end audit	<b>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	September 2017	Not yet started
Annual Reporting	<b>October 2017</b>	Annual Audit Letter	December 2017	Not yet started

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
Grant Claims 2016/17	<b>September – November 2017</b>	Annual certification report	February 2018	Not yet started



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## Ernst & Young LLP

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Managing Director  
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Newport  
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13 April 2016

Ref: IOWC/16-17/Fee Letter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear John

## Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Isle of Wight Council.

### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- whole of government accounts.

For Isle of Wight Council we have set our indicative fee at the scale fee level. This indicative fee is based on certain assumptions, including:

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- our accounts opinion and value for money conclusion are unqualified;
- officers meet the agreed timetable of deliverables;
- prompt responses are provided to our draft reports;
- the Council provides appropriate quality of documentation;

- The overall control environment remains effective and internal controls operate effectively for the key processes identified within our audit strategy; and
- we can rely on the work of internal audit as planned.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work at each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	128,054	128,054	167,390
Harbours – agreed upon procedures*			2,511
Certification of housing benefit subsidy claim	17,078	14,711	22,770
<b>Total</b>	<b>145,132</b>	<b>142,765</b>	<b>192,671</b>

\* This was an adjustment to the scale fee in 2014/15 that has now been incorporated into the scale fee for the Council from 2015/16 onwards.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

## Billing

The indicative fees will be billed in four quarterly instalments of £36,283.

## Audit plan

We expect to issue our audit plan in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Audit team

The key members of the audit team for the 2016/17 financial year are:

Helen Thompson  
**Executive Director**

[HThompson2@uk.ey.com](mailto:HThompson2@uk.ey.com)

Tel: 07974 007332

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Simon Mathers  
**Senior Manager**

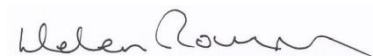
[SMathers@uk.ey.com](mailto:SMathers@uk.ey.com)

Tel: 07776 493851

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We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours sincerely



Helen Thompson  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Chris Ward, Director of Finance  
Councillor Hutchinson, Chair of the Audit Committee