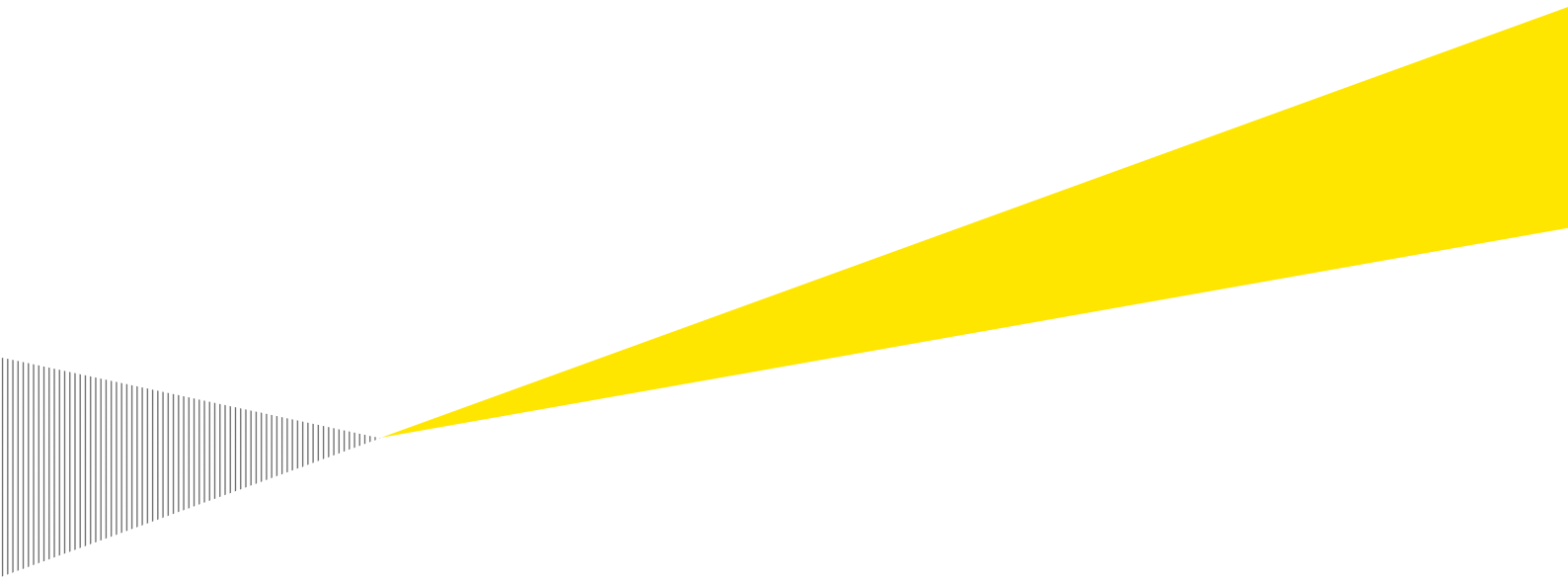


Isle of Wight Council and Isle of Wight Pension Fund

Audit Committee Progress Report

May 2018





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03 May 2018

Audit Progress Report

We are pleased to attach our Audit Progress Report, covering the external audits of Isle of Wight Council and Isle of Wight Pension Fund.

This progress report summarises the work we have undertaken since the last meeting of the Audit Committee in February 2018. The purpose of this report is to provide the Committee with an update on progress to date on our 2017/18 audits and housing benefit subsidy claim certification, and to re-confirm the dates for our year-end audit visits. The detailed plans for our 2017/18 audits were presented to the Committee at its February meeting and are not repeated here.

Our audits are 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 at your meeting on 21 May 2018.

Yours faithfully

Helen Thompson
Associate Partner
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”. It is available from the via the PSAA website (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 (updated February 2017)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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.

Progress on 2017/18 audits and housing benefit subsidy claim certification

2017/18 financial statements audits

Our interim visits took place in February/March 2018. Good progress has been made in moving work forward from the June/July peak, and we are grateful to officers for their help in facilitating this. Work undertaken to date includes:

Isle of Wight Pension Fund

- All background and general audit planning documents have been updated.
- All walkthroughs of key financial systems are complete with the exception of one which can only be undertaken after the financial year-end.
- We have moved forward our IAS19 protocol work from year-end, the majority of which was completed during our interim visit. This included work on the valuation of assets and contributions received in the year. We also completed early substantive procedures on benefits payable.

Isle of Wight Council

- All background and general audit planning documents have been updated.
- All walkthroughs of key financial systems are complete with the exception of a small number of processes which can only be reviewed after the financial year-end.
- Early work is underway to address some of the areas of focus identified in our audit plan, principally around the risk of management override, valuation of land and buildings, PFI accounting and the restatement of the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis.
- Early substantive testing has also been undertaken on a number of other areas including income and expenditure, payroll, journals, exit packages, government grants, council tax precepts, and property, plant and equipment. Preparatory work has furthermore been undertaken on our audit file across a range of other accounts, to allow the related substantive testing to commence promptly at the start of the year-end site visit.
- Work to address the identified significant risk to our value for money conclusion has been commenced, with further progress expected in May 2018.

The challenge of meeting the faster close deadline of 31st July remains considerable, but the work completed at interim will make a significant contribution to doing so.

Year-end visits

- Our year-end visit is due to commence on 14 May 2018 for Isle of Wight Pension Fund, with the aim of completing the audit by 08 June 2018.
- Our year-end visit is due to commence on 04 June 2018 for Isle of Wight Council, with the aim of completing the audit by 06 July 2018.
- Our Audit Results Reports for both audits will then be presented to the Audit Committee at its meeting on 30 July 2018.

In advance of these visits, we will follow up on any outstanding matters from our interim work, and will provide a detailed working papers request to help ensure the audits can commence promptly on the agreed dates. We will also maintain an open dialogue with officers to understand any issues emerging from the production of the financial statements.

Housing benefit subsidy claim certification

Progress on 2017/18 certification

Our planning procedures for the 2017/18 certification are substantially complete. We commenced the testing of our initial samples of individual cases in April 2018, and have completed the required testing of 20 cases for each benefit type, with the exception of those with queries arising. These queries will be cleared with the Council's housing benefits team ahead of our next site visit, currently planned for August, at which time the remaining elements of the certification work will be undertaken.

Procurement of a reporting accountant for 2018/19 onwards

The Council, through a joint procurement led by Portsmouth City Council, issued the invitation to tender for the certification of its housing benefit subsidy claim for 2018/19 onwards on 20th April 2018. We are currently in the process of responding to this, with submissions due to be made by 21st May.

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