

North Hertfordshire District Council

External Audit Update Report

May 2017

Ernst & Young LLP



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Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Tel: + 44 1582 643000
Fax: + 44 1582 643001
ey.com

Audit Committee
North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth
Herts
SG6 3JF

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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 Committee with an overview of the stage we have reached in our 2016/17 audit.

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 faithfully

Suresh Patel
Ernst & Young LLP
United Kingdom

Enc.

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1. Summary

1.1 Financial statements

We are required to give an audit opinion on whether the financial statements of North Hertfordshire District 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 can confirm at this stage that there are no changes to the risks we identified and reported to the Audit Committee in our Audit Plan in January 2017.

We completed an initial first phase of our interim audit at the end of January where we began the process to walkthrough the material income and expenditure systems. This work was also informed by our liaison with internal audit

Our second interim visit began on 20 March, and during this visit we:

- ▶ completed our walkthrough testing, subject to completion of our work where year end processes are involved; and
- ▶ performed early substantive testing of fixed asset additions, exit costs and income and expenditure.

We used our computer-based analytics tools to enable us to capture and analyse whole populations of your financial data to inform our sample selection and also to review payroll, costs. There are no issues arising from our work to date that we would wish to bring to the attention of Members.

1.2 Certification of claims and returns

We will be required to undertake work on the certification of the Council's housing benefits return. We will need to undertake some high level procedures on this as part of our year-end audit of the financial statements. Our detailed testing of cases will be performed after the year-end audit. We have discussed and agreed with the Council's Systems and Technical Manager the approach for 2016/17 to the detailed testing. We have agreed that the Council's Technical team will undertake an initial assessment which we will then review, this should help to minimise the cost to the Council of our certification work.

1.3 Value for money conclusion

In November 2015, the National Audit Office (NAO) published its updated guidance for auditors for their review of arrangements to secure value for money.

The overall criterion is:

"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."

The sub criteria which underpin this, and which are considered in arriving at the overall conclusion are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We can confirm that at this stage there is no change to the value for money risk we identified and reported to the Audit Committee in our Audit Plan in January 2017.

We have completed as much of our value for money conclusion work as we can at the second phase of our interim visit in March. Our work will need to be updated in the light of the Council's outturn position and by our review of the annual governance statement, narrative report and the Head of Internal Audit report.

2. Timetable

2.1 Audit timeline

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

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Our resourcing for the year-end audit is subject to change but the indicative position is set out in the table below.

Audit phase	Timetable	Deliverables
High level planning:	Already issued	▶ Audit Fee Letter
Risk assessment and setting of scope of audit	January 2017	▶ Audit Plan
Testing of routine processes and early substantive testing	January 2017 and March 2017	If required: ▶ Report to those charged with governance
Year-end audit	Beginning of 24 July for 3 weeks	▶ Report to those charged with governance ▶ Audit report on the financial statements and value for money conclusion ▶ Audit completion certificate
Reporting	September 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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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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