



North Hertfordshire District Council
Finance, Audit & Risk Committee Progress Report
February 2018
Year ended 31 March 2018



26 February 2018



Finance, Audit & Risk Committee
North Hertfordshire District Council

Dear Committee Members

Progress Report: Year ending 31 March 2018

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 2017/18 year. The purpose of the report is to provide the Finance, Audit & Risk Committee with an overview of the stage we have reached in our planning for the 2017/18 audit and ensure our audit is aligned with the Committee's service expectations.

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
Associate Partner for and on behalf of Ernst & Young LLP
United Kingdom
Enc



2017/18 audit

Faster close

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year with the Council needing to prepare draft accounts by 31 May and publish audited accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ Good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ Appropriate Council staff to be available throughout the agreed audit period; and
- ▶ Complete and prompt responses to audit questions.

If the Council is unable to meet key dates within our agreed timetable, we will notify your Section 151 Officer of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify the Section 151 Officer of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to the audit while we complete other work elsewhere.

To support the Council we will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate. We have set out below in a table where we had planned to undertake early work following a meeting with officers in November 2017 and whether we have successfully completed that work.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- ▶ Agree the supporting working papers that we require to complete our audit.



2017/18 audit

Update on planned early work

Early testing	EY Update
Income testing period 1-8	Interim work complete.
Expenditure P1-8	Interim work complete.
Payroll 1-9	Interim work complete.
Accounting policies	Not available to audit in January
PPE - Additions P 1-9	Interim work complete.
PPE- Disposals	No material disposals at interim.
PPE - Existence	Postponed to final audit, no major changes to assets anticipated
Investment property income	Rental income note information not available to audit in January
Related party transactions	Not available to audit in January
Exit Packages 1-9	Interim work complete.
Grant income	Interim work complete.
Precepts	Interim work complete.
Significant contract review	Interim work complete.
Collection fund analytical review	Interim work complete
Journals 1-8	Interim work complete.
Valuation	Valuation schedule provided which shows an 8% increase in overall property values, this is not in Excel format and identifying the impact on fixed asset register which is not updated until later in the year is time consuming. We have some time in April and will undertake further work then.
Audit fee note	Interim work complete.



2017/18 audit

Planning and interim visit

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 2018 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 Finance, Audit & Risk Committee in our Audit Plan in January 2018.

We have completed our interim audit and have

- ▶ Undertaken our walkthrough testing. The Council has moved to Integra 2 and we need to walkthrough transactions using the new system for accounts payable and receivable and we have booked staff to undertake this in the week beginning 9th April; and
- ▶ Performed early substantive testing as set out in the table in the preceding section.

We have used our computer-based analytics tools to enable us to capture and analyse whole populations of your financial data, in particular payroll, and journal entries.

Post statements visit

We have agreed the dates for our post statements audit visit, and we will have early discussions on your supporting working papers and their availability for the audit.

We introduced the finance team to our online Client Portal. This will enhance our communication on raising critical issues as soon as they arise and enable us to work even better with them to propose pragmatic solutions. It also enables the finance team to make real time updates to the Client Assistance Schedule and see our progress with the audit.

Value for money

We identified and reported in the Audit Plan, a significant risk in relation to the Council's savings targets. We have identified no change to our risk assessment.

We will be completing as much of our value for money conclusion work as we can in April. Our work will then 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.

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 procedure 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.



Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.



Timetable

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	March 2017	Completed
Risk assessment and setting of scope of audit	Dec '17 - Jan '18	Audit Plan	January 2018	Completed
Testing of routine processes and early substantive testing	Jan '18 - Apr '18	If required reporting to management and the Finance, Audit & Risk Committee	March 2018 (this update)	In progress
Year-end audit	Beginning 2 July for 3 weeks	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	July 2018	Yet to commence
Completion	Sept '18	Annual Audit Letter	September 2018	Yet to commence

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