

Merton Council

Audit Progress Report to General Purposes Committee

June 2014

Ernst & Young LLP



**Building a better
working world**

General Purposes Committee
Merton Council
Merton Council
Civic Centre
London Road
Merton
SM4 5DX

17 June 2014

Dear committee members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the General Purposes Committee with an overview of the stage reached in your 2013-14 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit will be 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.

This report updates the Committee on our work at the Council. Our programme of work on assessment of your underlying financial information systems and arrangements for securing value for money is in progress and we are about to start our audit review of your financial statements.

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
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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 Annual Audit Letter 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.

1. Work programme

1.1.1 2012-13 audit

Our work on this audit is now complete and we have reported all the findings to the Committee.

1.1.2 2013-14 audit

We presented the fee letter for the 2013-14 audit to the 27 June 2013 General Purposes Committee.

We presented our audit planning report, setting out our approach to carrying out our 2013-14 audit, as a separate agenda item. We have carried out our initial planning and our walkthroughs of the main systems and there are no issues we wish to bring to the attention of the Committee. We will carry out our review of the Council's financial statements in tandem with the review of the Pension Fund financial statements. We will report our findings in the audit results report to the September General Purposes Committee.

We reported on our investigation into the allegations made around the appointment and use of consultants by the Council to the March Committee. We will review progress against action taken by the Council in response to our recommendations as part of our ongoing audit work.

Letters to management and those charged with governance

We have contacted management and those charged with governance requesting assurances in a number of areas. We received the letter from those charged with governance and await that from management.

Value for money assessment

We completed our initial risk assessment for our value for money work, and have not identified any specific risks that we need to undertake additional local risk based work to address. Our work to support the overall value for money conclusion is in progress and we will consider this in the light of our work on the financial statements.

1.1.3 Pension Fund 2013-14 audit

We presented our audit planning report, setting out our approach to carrying out our 2013-14 audit, to the March Committee.

We have carried out our initial planning and our walkthroughs of the main systems and there are no issues we wish to bring to the attention of the Committee. We will carry out our review of the Fund's financial statements in tandem with the review of the Council's financial statements.

1.1.4 CHAS 2013 Ltd 2013-14 audit

The Council has established a wholly-owned company to carry out health and safety pre-qualification assessments for contractors in the construction industry. We have been appointed as external auditors and intend to carry out the audit in tandem with that of the Council and Pension Fund.

1.1.5 2014-15 audit

The fee letters for our 2014/15 audit for the Council audit and the Pension Fund audit are attached as separate agenda items.

2. Timetable

General Purposes Committee timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2013-14 General Purposes Committee cycle.

| Audit phase | Timetable | General Purposes Committee timetable | Deliverables |
|---|-------------------------------------|--------------------------------------|---|
| High level planning: | December 2013 / January 2014 | | Audit Fee letter (presented to 27 June 2013 General Purposes Committee) |
| Risk assessment and setting of scopes | December/ January | 12 March 2014 Committee | Audit Plan Audit Progress Report |
| Testing of routine processes and controls | January/ February 2014 | 26 June 2014 Committee | Audit Progress Report |
| Year-end audit | July – September | 25 September 2014 Committee | 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). |
| | | | Audit completion certificate |
| | November | 6 November 2014 Committee | Annual Audit Letter |

We will provide formal reports to the General Purposes Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the General Purposes Committee and we will discuss them with the General Purposes Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings. The latest Briefing is attached as a separate agenda item.

Appendix 1: Audit Progress

Progress against key deliverables

| Key deliverable | Timetable in plan | Status | Comments |
|---|---|-----------|---|
| Fee Letter | by June 2013 | Completed | Presented to 27 June 2013 General Purposes Committee |
| Audit Plan | March 2014 | Completed | Presented to 12 March 2014 General Purposes Committee |
| Report to Those Charged with Governance | by 30 September 2014 - submission deadline | | Report to 25 September 2014 General Purposes Committee |
| Audit Report (including opinion and vfm conclusion) | by 30 September 2014 - submission deadline | | |
| WGA Submission to NAO | before early October 2014 - submission deadline | | |
| Audit Certificate | by 30 September 2014 | | Audit certificate will be issued on completion of our audit |
| Annual Audit Letter (covering the Council and pension Fund audits) | October 2014 | | Report to November 2014 General Purposes Committee |

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