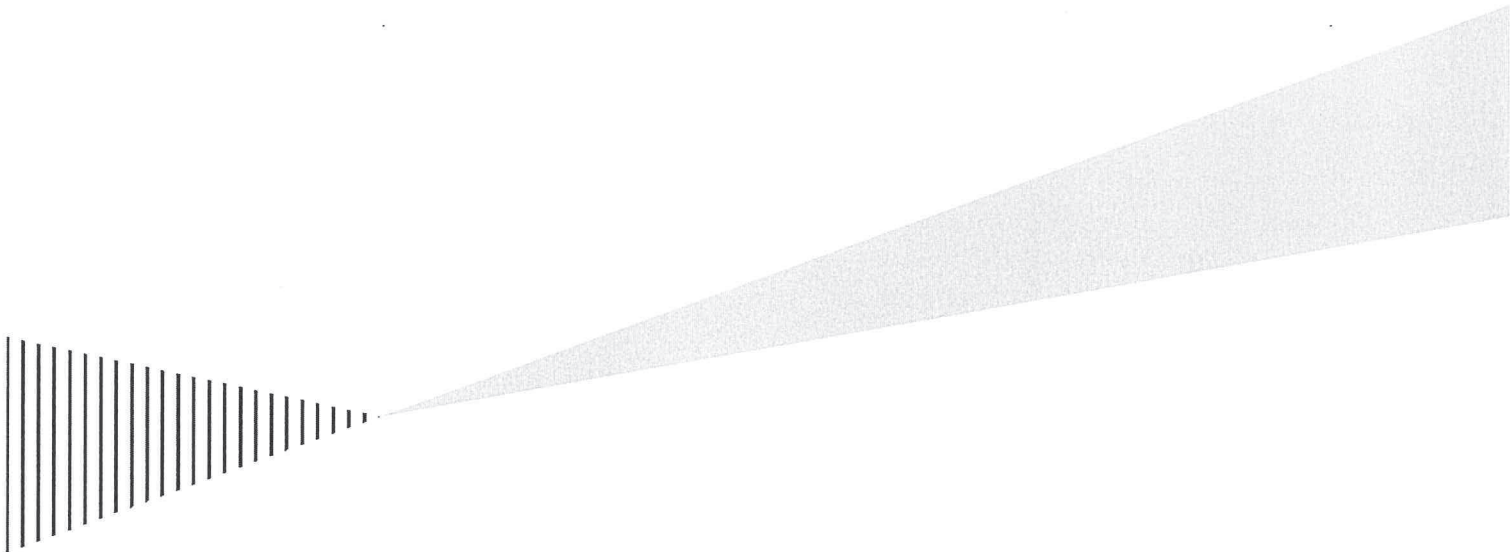

Merton Council

Audit Progress Report to General Purposes Committee

October 2014

Ernst & Young LLP





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October 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 and 2014-15 audits for the Council and the Pension Fund 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 work on your 2013-14 audits is complete and we will start our planning on your 2014-15 audits shortly.

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 2013-14 audit

We presented the audit results reports for the Council audit and the Pension Fund audit to the 17 September 2014 Committee meeting, and subsequently issued both audit reports on 19 September 2014. Our 2013-14 annual audit letter is attached as a separate agenda item for this Committee.

1.2 Audit process review and further improvements for 2014-15

We have met with your Finance team to identify those areas that worked well for the 2013-14 Council and Pension Fund audits and where further improvements can be made for 2014-15.

The overall assessment is that this year's process was 'a lot better' than that for the 2012-13 audit. Many processes are now embedded and support effective working and delivery. We issued the audit opinions a week earlier than in 2012-13 and there is broad agreement to continue with this timetable and aim to issue the opinion and conclusion of the audit in mid-September 2015.

We identified in our audit results reports delays in receipt of information from your general ledger to support our work on completeness and review of journals. We require clear 'mapping' of the accounts structure from your financial systems for us to carry out this work and, where this does not occur, we have to restructure our audit work. This led to additional work and we are in discussion with the Council and Audit Commission about the additional fee required for this work for both the Council and Pension Fund audits. We are also aware that there were delays in receipt of information from your payroll provider.

We will work with the Finance team to carry out early work on ensuring we have the necessary 'mapping' to support our work. This will also support providing the added value from analysis of your financial data that we are able to provide to other councils. The Finance team will also collect payroll information quarterly to prevent delays at the year end.

We have also discussed the proposed treatment in the Council's 2014-15 financial statements for CHAS 2013 Ltd. The current proposal is to apply the same approach as in 2013-14 with the Council presenting single entity accounts (on the grounds CHAS that, from a financial perspective, CHAS is not material to the Council) rather than full group accounts. We will consider the timing of the CHAS 2013 Ltd audit for 2014-15 once we have completed this year's audit.

We would also like to thank the Finance team for their support, assistance and constructive approach during this year's audit.

1.2.1 Key points for the Committee

We ask the Committee to consider the timetable of meetings for an early- to mid-September meeting of both the General Purposes Committee – and Pension Fund Advisory Committee – to enable a mid-September completion of the Council and Pension Fund audits.

1.3 Claims and certification work for 2013-14

We are required to issue a report on our work on certification of claims and returns. This report comes to the March Committee following the year under review. This year there are a number of changes which affect the fee, scope and timing of our work:

- ▶ The largest claim in terms of work and value is the housing benefit and subsidy claim which has a deadline of 28 November. The scope of the work and associated audit fee has reduced as council tax subsidy no longer applies for 2013-14. Our work is currently in progress;

Work programme

- ▶ The certification of the teachers' superannuation return no longer forms part of the work we are required to carry out as part of the arrangements with the Audit Commission. The nature of the work required is currently under discussion with the Teachers' Pension Agency and we will liaise with the Council on work requirements to any deadline (currently 28 November) once these are confirmed; and
- ▶ We are no longer required to carry out work on certification of the non-domestic rates return.

On completion of our work, we will present the report to the next Committee meeting.

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 are currently carrying out the audit and intend to present our results to the company's Board Meeting at the end of November.

On completion of the audit we will discuss with your Finance team the most effective timing of the audit in future years, whether in tandem with that of the Council and Pension Fund or after these as the audit has a later submission deadline.

1.5 2014-15 audit

We presented the fee letters for our 2014-15 audits of the Council and the Pension Fund to the 25 June 2014 Committee meeting.

We are due to start the planning stages of our 2014-15 audit shortly and will bring our audit planning reports for the Council and Pension Fund audits to the next Committee meeting.

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 (presented to 12 March 2014 General Purposes Committee) Audit Progress Report
Testing of routine processes and controls	January/ February 2014	26 June 2014 Committee	Audit Progress Report
Year-end audit	July – September	17 September 2014 Committee	Report to those charged with governance (presented to 17 September 2014 General Purposes Committee)
			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	5 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.

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	Completed	Presented to 17 September 2014 General Purposes Committee
Audit Report (including opinion and vfm conclusion)	by 30 September 2014 - submission deadline	Completed	Issued 19 September 2014
WGA Submission to NAO	before early October 2014 - submission deadline	Completed	Submitted 24 September 2014
Audit Certificate	by 30 September 2014	Completed	Issued 24 September 2014
Annual Audit Letter (covering the Council and Pension Fund audits)	October 2014	Completed	Agenda item to 5 November 2014 General Purposes Committee

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