

Merton Council

Audit Progress Report to General Purposes Committee

June 2015

Ernst & Young LLP



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

June 2015

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 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. We include the audit planning report for the 2014--15 Pension Fund audit, and the audit scale fee letters for the 2015-16 audits, as separate agenda items to the Committee.

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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Auditors are undertaking their 2014/15 work under the Audit Commission Act 1998 as transitionally saved. The Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 has been made which preserves the relevant parts of the Audit Commission Act 1998 for 2014/15 audits.

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 2014-15 audit

We have completed our planning and interim work including the walkthroughs of your main financial systems. This work informed our audit planning reports. There are no other issues we wish to bring to your attention.

We presented the audit planning report for the Council to the March 2015 Committee meeting. The audit planning report for the Pension Fund was reviewed by the Pension Fund Advisory Committee in March and is attached as a separate agenda item.

We are due to commence our audit of your financial statements next month and will report the findings of our work to the September 2015 Committee.

1.2 Letters to management and those charged with governance

We included in our progress report to the March 2015 Committee letters to management and those charged with governance (the General Purposes Committee) that we request each year. These cover arrangements around fraud and error, laws and regulations and going concern. In previous years we sought a joint response covering the Council and the Pension Fund; this year we sought separate responses for each.

1.3 Audit process review and further improvements for 2014-15

We have worked with the Finance team to carry out early work on ensuring we have the necessary 'mapping' of the Council's financial systems to the accounts to support our audit of the financial statements. This will also support providing the added value from analysis of your financial data.

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 that, from a financial perspective, CHAS is not material to the Council) rather than full group accounts.

We have discussed with the Finance team responsible for preparation of the CHAS 2013 Ltd financial statements the learning we can take from the audit process and the most effective timing and approach to the audit in future years. This year we plan to carry out our work on completion of the Council and the Pension Fund audits as the CHAS 2013 Ltd audit has a later submission deadline.

We have also carried out our initial testing to support our certification of the Council's 2014-15 housing benefit and subsidy claim. We have carried out this work earlier this year to ensure the amount of additional work required is known and to support completion of our work by the submission deadline of the end of November 2015.

1.4 Audit scale fees for 2015-16

The audit scale fee letters for the Council and the Pension Fund are attached as a separate agenda item. The 2015-16 scale fees for the Council features a further 25% reduction over the 2014-15 scale fee.

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 2014-15 General Purposes Committee cycle.

Audit phase	Timetable	General Purposes Committee timetable	Deliverables
High level planning:	December 2014 - January 2015		Audit Fee letter (presented to 25 June 2015 General Purposes Committee)
Risk assessment and setting of scopes	December-January	12 March 2015 Committee	Council Audit Plan (presented to 12 March 2015 General Purposes Committee) Pension Fund Audit Plan (presented to March 2015 PFAC – then to June 2015 General Purposes Committee) Audit Progress Report
Testing of routine processes and controls	January-February	25 June 2015 Committee	Audit Progress Report
Year-end audit	July – September	16 September 2015 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	4 November 2015 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. Our latest sector briefing has been circulated to members for information.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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