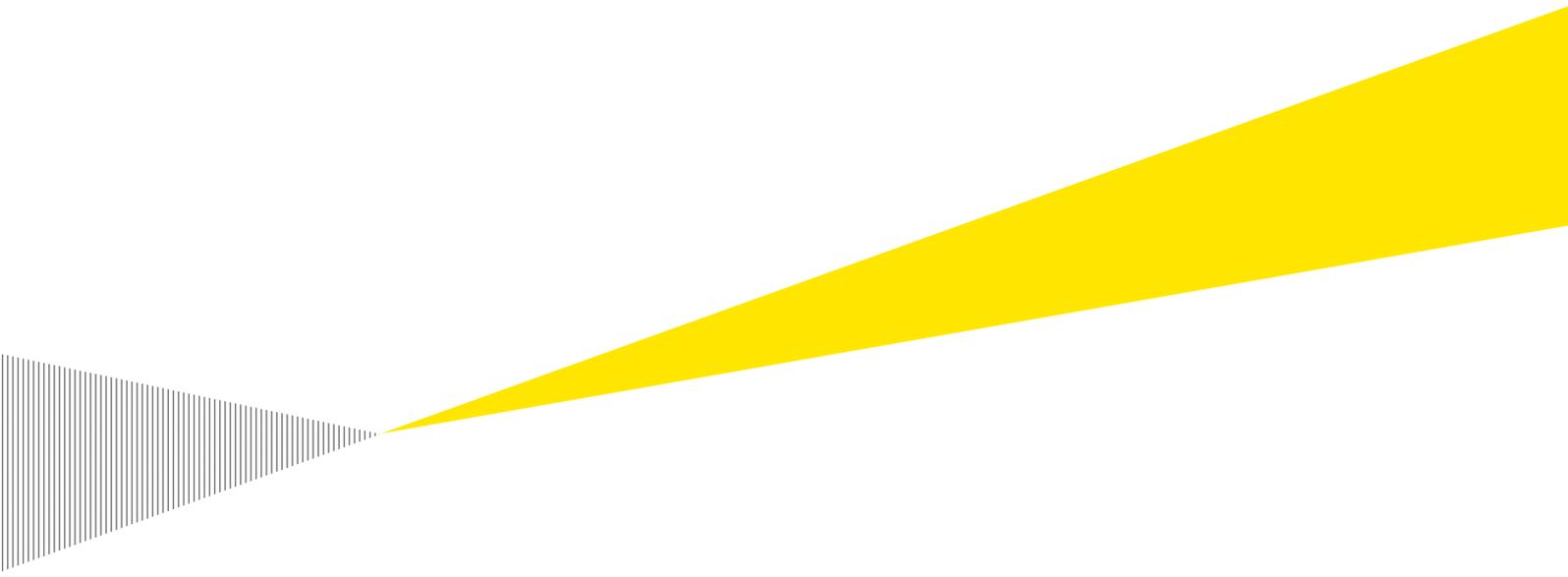


South Derbyshire District Council

Year ending 31 March 2017

Interim update report

6 June 2017



Building a better
working world

Contents

Introduction	1
Audit progress – financial statements.....	2
Audit progress – grant claims and returns.....	4
Appendix 1 – Audit findings and recommendations.....	5

In April 2015, Public Sector Audit Appointments Ltd (“PSAA”) issued the ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psaa.co.uk) (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (“the Code”) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Audit, Governance and Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Introduction

The purpose of this report is to provide members of the Audit-sub Committee with an update on the progress of our interim work undertaken to date on both the financial statements and grant claims and returns.

We would welcome any comments or feedback on the content of this report or our work undertaken to date.

We have also provided our latest Audit Committee briefing as a separate paper for your information.

Audit progress – financial statements

Our audit team was onsite for the interim audit visit in the week commencing 6 February 2017 during which we completed the following audit procedures:

- ▶ We performed walkthroughs of the material financial systems of the Council to update our understanding of the financial processes and controls in operation. This work identified the following issues and further details are in Appendix 1.
- ▶ For both Non-Domestic rates and Council Tax we identified the following matters;
 - ∅ The monthly control account reconciliation was prepared by the financial services manager and not subject to a peer review. However, since period 10, responsibility for preparation of the reconciliations has changed and the financial services manager now reviews the reconciliation.
 - ∅ The review of the monthly reconciliation of property totals (CTAX and NNDR) and the total rateable value (NNDR) between each Academy systems and the valuation office schedules are a visual check and not documented to evidence the review occurred.
 - ∅ There is no review of the data changes made to Academy systems to ensure that the amendments are complete and accurate.
 - ∅ The reconciliation for the production of annual bills for 2016/17, were not subject to an independent review.
- ▶ We met with Internal Audit to discuss aspects of their work to support the Value for Money conclusion risk;
- ▶ We have discussed the Council's arrangements to obtain valuations of the current and newly acquired depots;
- ▶ We met with key Officers to update our understanding of other significant audit and accounting matters to have occurred during 2016/17;
- ▶ We have obtained data downloads from the general ledger and payroll systems to the end of period 9 which has been used to facilitate our early substantive testing in the following areas;
 - ▶ Operating expenses
 - ▶ Supervision and management and repairs and maintenance expenditure for the Housing Revenue Account.
 - ▶ Other income to include fees, charges and sales.
 - ▶ Government Grants.

- ▶ There were no significant findings arising from our early testing.
- ▶ As part of our work for employer costs we completed a controls test of the Council's arrangements over the management of new employees and employees leaving the Authority. Our testing has identified that four new employees were found not to have signed the statement of written particulars (contract of employment).
- ▶ To assist the finance team we have prepared and issued a tailored client assistance schedule which details the working papers to be assembled during the preparation of the financial statements and available for the start of the audit in July.

Audit progress – grant claims and returns

For 2016/17, we are required to audit the Housing Benefits claim and the Pooling of capital receipts for sale of Council properties under the right to buy scheme.

Housing Benefits

- ▶ We have met with Revenues and Benefits manager and agreed a timetable to complete the Housing benefit work in advance of the 30 November 2017.
- ▶ The Council will start the initial testing in May 2017 and we will review this work in early June 2017 to establish what additional testing is required.
- ▶ We will provide an update on the results of this initial work to the Audit-sub Committee meeting in June 2017.

Pooling of Housing Capital receipts

- ▶ We completed early testing of a sample of right to buy sales that had been completed up to the period ending 31 December 2016.
- ▶ The only issue arising was that the housing file for one sale, required to validate that the commencement of the tenancy, could not be located at the time of testing. We have not been notified this has been found and will follow up this during our next visit in June 2017.

Appendix 1 – Audit findings and recommendations

No:	Audit Finding	Recommendation	Management response	Priority (H/M/L)	Implementation date/ responsibility
1	<p>Council Tax (CTAX) and Non-Domestic Rates (NNDR)</p> <p>There are no processes in place to ensure that changes made to both the Council Tax and NNDR systems are accurate and complete.</p>	<p>The Council implements arrangements to ensure that the information held in the CTAX and NNDR Academy systems is complete and accurate.</p>	<p>As part the restructuring of the revenues and benefits department, a new compliance team is to be established. NNDR and CTAX checks will be considered as part of the remit of the new compliance team.</p>	Medium	<p>Revenues and Benefits manager</p> <p>Immediate effect</p>
2	<p>CTAX</p> <p>The Council does complete a monthly reconciliation of the property numbers for each CTAX band but there is no evidence of an independent peer review.</p>	<p>The Council to ensure that evidence is retained that monthly reconciliation between the Valuation Office schedule and Academy system has been reviewed by an independent and senior officer.</p>	Agreed.	Medium	<p>Revenues and Benefits manager</p> <p>Immediate effect</p>
3	<p>NNDR</p> <p>The Council does complete a monthly reconciliation of the property numbers and the total rateable value but there is no evidence of an independent peer review.</p>	<p>The Council to ensure that evidence is retained that monthly reconciliation between the Valuation Office schedule and Academy system has been reviewed by an independent and senior officer.</p>	Agreed.	Medium	<p>Revenues and Benefits manager</p> <p>31 March 2018</p>
4	<p>CTAX and NNDR annual billing</p> <p>The Council does complete a reconciliation of the annual bills raised for both CTAX and NNDR but there is</p>	<p>The Council ensures that the monthly reconciliation between the Valuation Office schedule and Academy system is reviewed by an</p>	Agreed	Medium	<p>Revenues and Benefits manager</p> <p>31 March 2018</p>

No:	Audit Finding	Recommendation	Management response	Priority (H/M/L)	Implementation date/ responsibility
	no evidence of an independent peer review.	independent and senior officer.			
5	Staff contracts Our testing of new starters, there were four instances where the statement of written responsibilities had not signed.	All new starters must sign the statement of written responsibilities at the time they join the Authority.	Agreed.	Medium	Head of Organisational Development Ongoing

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