

Stevenage Borough Council

External Audit Update Report

March 2018

Ernst & Young LLP



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Audit Committee
Stevenage Borough Council
Council Offices
Daneshill House
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Stevenage
SG1 1HN

9 March 2018

Dear Members

External Audit Update

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 Audit Committee with an overview of the stage we have reached in our 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

Neil Harris
Ernst & Young LLP
United Kingdom

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1. Summary

1.1 Financial statements

We are required to give an audit opinion on whether the financial statements of Stevenage Borough 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 adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we review your published Council and committee minutes and papers along with the information we have on the wider local government environment. We met with the Council's Chief Financial Officer in January as part of our initial planning discussions and in order to develop our understanding of the challenges and risks you are facing to inform our work on your financial statements and value for money arrangements.

Our interim audit visit is now concluded. We have:

- ▶ Obtained data for the period to the end of December for both payroll and the general ledger to facilitate early transaction testing.
- ▶ Updated our understanding of the Council's material income and expenditure systems by walkthrough testing.
- ▶ Completed the programme of early testing discussed with the Council's Finance team in November 2017 as set out in the table below. We have made good progress against the programme and have set aside some time in April to complete the few remaining elements.

Early testing	EY Update
Income testing sales ledger and other income period 1-9	Interim work complete on sales ledger income. Our sample is with the Finance team for other general fund income
Income testing period 1-9 HRA charges for facilities	Interim work complete.
Expenditure P1-9	We have received back the supporting information for our sample.
Expenditure period 1-9 HRA supervision and management and repairs and maintenance	Interim work complete.
Payroll 1-9	Starters and leavers interim testing complete. Review of payroll postings using our general ledger tool to be completed in April.
Accounting policies	Interim work complete
PPE - Additions P 1-9	Interim work complete.
PPE- Disposals P1-10	Interim work complete.
Opening balances	Interim work complete
Related party transactions	Interim work complete.
Exit Packages 1-9	Interim work complete.
Grant income	Interim work complete.
Precepts	Interim work complete.

Early testing	EY Update
Significant contract review	Information requested and received on significant contract expenditure which we are in the process of reviewing.
Collection fund set up analytical review	Interim work complete.
Pension fund submission to actuary/confirmation of assumptions	We will seek to pick this up in April
Valuations	We have had sight of instructions but valuations not yet available.
Journals 1-9	Work to be completed in April.

There were no matters arising from this work to date that we need to bring to the attention of the Committee.

We are due to return to site in June to undertake our work on the audit of the draft statement of accounts.

1.2 Value for money conclusion

The overall criterion for 2017/18 is:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”

The sub criteria which underpin this, and which are considered in arriving at the overall conclusion are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We identified in our audit planning report that we identified a significant risk for our value for money conclusion given the level of savings (£2.5m) by 2021/22. We will be carrying out our detailed work on this in April. We will also be reviewing information from your Chief Financial Officer on the implementation of the Council's investment property strategy and SG1 development.

2. Timetable

2.1 Audit timeline

We set out below a timetable showing the key stages of the audit, and the deliverables we will provide to you.

We will provide formal reports to the Audit and Standards Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	Already issued	▶ Audit Fee Letter
Risk assessment and setting of scope of audit	January/March 2018	▶ Audit Plan
Testing of routine processes and early substantive testing	February 2018	▶ Update report
Year-end audit	June 2018	▶ Report to those charged with governance ▶ Audit report on the financial statements and value for money conclusion ▶ Audit completion certificate
Reporting	July 2018	▶ Annual Audit Letter

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

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