

A high-angle, close-up photograph of several people's hands and arms gathered around a white table. They are looking at and pointing to various documents and papers spread across the surface. One person in the foreground is wearing a white shirt, another in the middle is wearing a yellow long-sleeved shirt, and a third in the background is also wearing a yellow shirt. A smartphone is visible on the table near the bottom left. The overall scene suggests a collaborative meeting or audit process.

# Southampton City Council Audit progress report

Year ended 31 March 2019  
April 2019



Governance Committee Members  
Southampton City Council  
Civic Centre  
Southampton, Hampshire, SO14 7LY

April 2019

Dear Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of our progress against the Council's 2018/19 audit plan, reported to you in February 2019. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

Helen Thompson

For and on behalf of Ernst & Young LLP

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# Contents

## 01 Progress Update

## 02 Timetable for remainder of audit



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance Committee and management of Southampton City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance Committee, and management of Southampton City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance Committee, and management of Southampton City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Progress Update



# Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Walkthroughs of key systems	Completed (other than year-end elements)	<ul style="list-style-type: none"> <li>- Accounts receivable</li> <li>- Council Tax</li> <li>- Financial Statement Close Process and Journals</li> <li>- Housing Benefits</li> <li>- Housing Rents</li> <li>- Non Domestic Rates</li> <li>- Payroll</li> <li>- Pensions</li> <li>- Property, Plant and Equipment</li> <li>- Purchase to pay</li> <li>- Treasury Management</li> </ul> <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
	In progress	<ul style="list-style-type: none"> <li>- Income Collection and banking – this walkthrough had to be postponed due to illness of an EY team-member. A revised appointment for the walkthrough is in the process of being agreed.</li> </ul>
Meetings with management	Ongoing	We have held regular meetings with management, to understand current issues, update on audit progress, and to plan for the year-end. We will maintain this approach going forward.

## Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
<p>Interim substantive testing</p> <p>Testing has covered months 1-9. Work will be done during our year-end visit to top-up to month 12, and to cover the remaining areas of the financial statements.</p>	Completed	<ul style="list-style-type: none"> <li>- Council tax precepts</li> <li>- Exit packages</li> <li>- Revenue grants</li> <li>- Housing benefit parameters</li> <li>- Group assessment</li> <li>- Restatement of CIES and EFA</li> <li>- Accounting policies</li> <li>- Contracts</li> <li>- Minute review</li> <li>- General audit procedures</li> </ul> <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
	In progress	<ul style="list-style-type: none"> <li>- Property, plant and equipment (PPE) valuations (area of risk from audit plan)</li> <li>- PPE additions and disposals (area of risk from audit plan)</li> <li>- Business rates income</li> <li>- Payroll expenditure</li> <li>- Journal entries (area of risk from audit plan)</li> <li>- CIES Income</li> <li>- CIES Expenditure</li> </ul> <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
Other risks in our audit plan	Work will be performed at year-end	<p>Work was in progress at the time of our interim audit visit on the working papers to support the Council's IFRS 9 and 15 assessments, and on the adjustments to PFI disclosures arising from our findings in 2017/18. As such, we will need to carry out our work in these areas at the year-end.</p> <p>The IAS19 report from the actuary, to support the pension disclosures in the Council's accounts, was not available at the time of our interim visit. This is as expected and consistent with the annual timetable for IAS19 reporting. As such, we will need to carry out our work in this area at the year-end.</p>

## Progress on 2018/19 Value for Money Conclusion

The following 'dashboard' summarises the progress of our 2018/19 VFM work after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the work to date, and any issues arising.

Audit Area	Status	Details
Value for Money Conclusion - Compliance with both procurement and contracting policies as part of a sound system of internal control.	In progress	<ul style="list-style-type: none"><li>- We have maintained an awareness of internal reporting on progress against the recommendations of internal and external audit from 2017/18.</li><li>- We are awaiting the outcome of internal audit's follow-up work in 2018/19, to inform our considerations.</li><li>- We will report our conclusions to the Governance Committee</li></ul>



02

Timetable





# Audit timetable

## Timetable of communication and deliverables

### Timeline

Below is a timetable for the remainder of the 2018/19 audit and the deliverables we have agreed to provide to you in this part of the audit cycle for 2018/19.

From time to time matters may arise that require immediate communication with the Governance Committee and we will discuss them with the Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

