

Milton Keynes Council

Year ending 31 March 2015

Audit Progress Report

23 June 2015



Building a better
working world

Audit Committee
Milton Keynes Council
Civic Offices
1 Saxon Gate East
Central Milton Keynes

10 June 2015

Dear Audit Committee members

Audit Progress Report – 2014/15

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2014/15 audit 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.

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

Maria Grindley
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 Audit Results Report 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.

Work completed

Audit status

This is our third report for the 2014/15 audit year. Appendix A is a summary of the key deliverables and progress against these.

Planning

We completed our planning procedures for the 2014/15 audit year earlier in the year. This comprised:

- ▶ Meetings with key Council staff to discuss the significant risks facing the Council;
- ▶ Updating our understanding of the Council and its business; and
- ▶ Undertaking walkthroughs of key financial statements and test of controls where applicable.

The work undertaken at the planning stage has informed our approach to the opinion audit and our value for money conclusion as set out in our Audit Plan.

We have not matters to report to the Audit Committee as a result of our planning or walkthroughs. However, please note that some elements of our walkthroughs need to be completed after year end where these involve activities only undertaken at or after the year end.

Opinion audit

We audit the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

At the conclusion of our work, we provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council and of its expenditure for the financial year under audit.

As the Council is required to produce group accounts, we also provide an opinion on whether the financial statements give a true and fair view of the group financial position and of its expenditure for the financial year under audit.

Significant risks

As a reminder, the table below sets out the significant risk identified in the audit plan and our proposed audit approach.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: <ul style="list-style-type: none">▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.▶ Reviewing accounting estimates for evidence of management bias.▶ Evaluating the business rationale for significant unusual transactions

Value for money conclusion

As part of our planning procedures, we will consider the significant risks of giving a wrong conclusion. We need to carry out as much work as is appropriate to enable us to give a safe conclusion on arrangements to secure value for money. We may also identify other risks where we plan to focus some additional attention during the audit.

At the planning stage we identified a risk related to financial resilience. This reflects the financial pressures on local government generally.

Significant risk	Impacts arrangements for securing	Our audit approach
Medium term financial planning		
<p>The Authority continues to face financial challenges; with a savings requirement of £22m in 2015/16. The current medium term financial plan has a cumulative budget gap of £5.5 million in 2016/17.</p> <p>The medium term financial plan sets out the Council's strategic approach for closing the budget gap and key deliverables that are critical to the future financial sustainability of the Council.</p>	Financial resilience	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the achievement of the planned savings in 2014/15. ▶ Reviewing the Council's ongoing identification of savings or alternative income streams to reduce the budget gap in 2016/17. ▶ Reviewing the Council's medium term financial planning and assumptions to 2017/18.

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

Timetable

Audit 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 Audit Committee cycle.

We will provide formal reports to the Audit 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 Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare a Management Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
Fee planning	April 2014	Fee Letter
High level planning:	January – March 2015	Audit Plan
Risk assessment and setting of scopes	March 2015	Audit Plan
Testing of routine processes and controls	March 2015	Audit Plan
Value for money conclusion	August 2015	
Year-end audit	July - September 2015	Report to those charged with governance (Audit Results Report)
		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)
		Whole of Government Accounts Submission to NAO based on their group audit instructions
Reporting	October 2015	Management Letter

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 A Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	April 2014	Complete	Issued 17 April 2014
Audit Plan	March 2015	On agenda	Considered at Audit Committee 31 March 2015
Report to Those Charged with Governance	September 2015		
Audit Report (including opinion and vfm conclusion)	September 2015		
Audit Certificate	September 2015		
WGA Submission to NAO	September 2015		
Annual Audit Letter	October 2015		

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