



PLYMOUTH CITY COUNCIL

**Progress report prepared for the Audit Committee
meeting scheduled for 8 December 2016**

INTRODUCTION

Summary of progress

This report provides the Audit Committee with an update of the progress in delivering the 2015/16 audit together with an update of the initial planning that has been undertaken in connection with the 2016/17 audit.

The auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the Council's:

- financial statements; and
- the arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns.

Completion of the 2015/16 Audit

We issued our audit opinion on the Council's financial statements on 23 September 2016. At that time, we stated in our audit opinion that we could not complete our audit and issue our audit certificate until we had completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We completed this part of our audit on 21 October 2016 and issued our 2015/16 audit completion statement to the Council on 7 November 2016.

The final elements of the 2015/16 audit work include the certification of the Teachers' Pensions Contributions Return for 2015/16 and the completion of our work on the Council's Housing Benefit Subsidy for 2015/16.

In Appendix 1 we have set out a summary of the main areas covered in our 2015/16 audit and the relevant dates. Given that it is necessary to issue papers to the Audit Committee in advance of the scheduled meeting, some aspects of our 2015/16 audit which need to be concluded by 30 November 2016 are currently in progress although we do expect to meet the submission deadline.

We will provide a verbal update at the 8 December Audit Committee meeting.

Preparations for the 2016/17 audit

We have commenced our planning procedures for the 2016/17 audit and have met with management as part of our initial audit planning. We will continue to perform further planning procedures and prepare for the Audit Committee an audit planning document containing our audit strategy and which we will present to the next meeting of the Audit Committee scheduled for 16 March 2017.

In 2016/17, the Council will need to implement some changes to its accounts and we have held preliminary discussions with management to discuss the implications of the new accounting requirements. It is also evident that the Council will be completing some potentially complex

transactions in 2016/17. For example, a number of assets that were originally acquired for development are to be let to third party tenants. Accordingly it will be necessary to consider these transactions where properties, currently classified within property, plant and equipment asset category may need to be reclassified as investment property. These transactions require careful consideration and we have agreed with management that the technical aspects will be assessed in the early stages of our audit. In addition there are other areas of potential technical complexity where we will be discussing how early consideration of the area can support efficiency both in closing the Council's accounts and delivering an efficient audit.

We have commenced discussions with officers to bring forward the accounts preparation and audit for 2016/17. This would be in preparation for 2017/18 when the statutory timetable will change.

For 2016/17 the statutory audit timetable is unchanged from the timetable that was in place for 2015/16 i.e. preparation of approved accounts for audit by 30 June and issue of the audit opinion by 30 September. However, in 2017/18, the timetable will be brought forward and the dates for preparing approved accounts for audit will be 31 May 2018 (i.e. one month earlier) with the deadline for issuing the auditor opinion also brought forward to 31 July (i.e. two months earlier).

The requirement to achieve a faster close and audit will require both the Council and ourselves to consider how this accelerated timetable will be met and agree the steps that will need to be taken. In addition, in 2017/18, the Council will be affected by a significant change to the accounting rules affecting the highways network infrastructure asset which comprises highways related assets including roads, bridges, streetlights and other street furniture such as traffic lights. This will be a significant task.

Therefore it is important to consider how the 2016/17 audit can be used as an opportunity to bring forward the audit and publication in preparation for 2017/18 and we will continue to discuss with management how we can work together to achieve this objective. The proposed deadlines are 31 May 2017 for preparation of approved accounts and 31 August 2017 for audit opinion. This timeline will necessitate appropriate Audit Committee meetings or delegation arrangements and it will be useful to discuss these arrangements with the Audit Committee at the 8 December meeting

2015/16 Annual Audit Plan - summary of elements

Appendix 1

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	Work is complete.	Audit Plan 2015/16 Issued and presented to the Audit Committee in March 2016.
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in July 2016.	Work is complete.	We report to management any deficiencies in internal control identified during the audit. Where such deficiencies are significant we also report them in our Final Report to the Audit Committee .
Financial Statements and use of resources audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion covering the financial statements and the use of resources was 30 September 2016.	Work is complete	Final Report to the Audit Committee Final ISA 260 report presented to the Audit Committee on 15 September 2016. Opinion on the financial statements Unqualified audit opinion issued on 23 September 2016. Opinion on Use of Resources We concluded that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. The deadline was 21 October 2016	Work is complete	Opinion on the WGA Consolidation Pack Schedules and assurance statement issued on 21 October 2016
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2016.	Work is complete.	Annual Audit Letter Annual Audit letter issued to Public Sector Audit Appointments (PSAA) on 28 October 2016.

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Area of work	Scope / Associated deadlines	Status	Outputs / Date
Housing Benefit Subsidy Claim Form	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2016 deadline.	Work is in progress	Housing Benefit grants claim and return to be audited and submitted to Department of work and Pensions by 30 November 2016 deadline.
Non Audit Commission grants and returns	To certify and submit the Teachers' Pension Contributions Return to the Teachers' Pensions Agency by 30 November 2016.	Work is in progress	Teachers' Pension grants claim and return to be audited by the 30 November 2016 deadline.
Grants Report	Summary of our certification work to be reported to the Council by February 2017.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2017.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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