

Wokingham Borough Council

Audit progress update

July 2023

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**Wokingham Borough Council
Audit Committee
Civic Offices
Shute End
Wokingham
RG40 1BN**

6 July 2023

Dear Audit Committee Members

Audit Progress Report

Pleased find below our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the current status of the Council's audit status for 2020/21, 2021/22 and 2022/23. 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 2020 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 audits.

Yours faithfully,

Helen Thompson

For and on behalf of Ernst & Young LLP

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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 Audit Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Wokingham Borough 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 Audit Committee, and management of Wokingham Borough 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 – Financial Statements of the Council



Status of the 2020/21 audit

2020/21 financial statements

We issued our Audit Results Report in March 2023 and provided a progress update to you in June 2023. Our work was largely complete, other than final completion of our work on the net pension liability valuation where had received an updated assurance letter from the auditor of Berkshire Pension Fund and we were challenging two elements within the letter. We also identified two further issues that had arisen that we needed to address before we could issue the audit opinion on the 2020/21 financial statements. At the date of this report, we are in the process of finalising our work in these areas.

We expect to be in a position to sign your audit report in July 2023.

Area of the audit	Progress to date
IAS 19 assurance letter	We received an updated letter from Deloitte which excludes the previous caveat. However, we challenged two new elements of the letter and have received a response from Deloitte. We consulted internally regarding the response received from Deloitte and we have concluded that we have sufficient assurance over the IAS 19 programme of work.
²³ IAS 19 triennial valuation	We have performed an assessment of the changes between the original and revised IAS 19 reports from the actuaries, taking into account the triennial valuation of the pension fund as at 31 March 2022. We are content that there is no indication of a material impact for 2020/21. We are currently finalising the documentation of our work in this area.
Cash and cash equivalents	<p>We asked management to review the classification of assets held under cash and cash equivalents against the requirements of IAS 7, the CIPFA Code and your accounting policy. Management identified that certain assets should be classified as investments and not cash and cash equivalents. This is a reclassification adjustment only and does not impact either the Comprehensive Income and Expenditure Statement or reserves. However, as the value of these is material, both in 2020/21 and 2019/20, a prior year adjustment is required in addition to amending the 2020/21 financial statements.</p> <p>We received management's working paper to support the changes on 22 May 2023 and are working through this. We will need to consult internally on the prior year adjustment.</p> <p>Officers are working to provide revised financial statements including the disclosures required regarding the prior year adjustment.</p>
Going concern	Management has provided an updated going concern assessment and cashflow forecast through to August 2024. We are in the process of documenting our work in this area.

Status of the 2021/22 audit

2021/22 financial statements

Our audit is progressing with the support of the Council's accounting team, who have been providing us with timely responses and have been available throughout the planning process to answer our queries. The audit planning has been completed, subject to final review and the audit planning report was presented at the February 2023 Audit Committee.

Our audit planning report identified the key areas of focus for our audit of the Council's 2021/22 financial statements. These have not changed as of the date of this progress report.

The year end audit started on 26 June 2023 and is scheduled to run to the end of September. We have been liaising with officers to ensure the smooth delivery of the audit, setting up regular touch points and discussing the required working papers. We have also discussed the possibility of having an onsite presence at your offices during the audit and have agreed for the time being that we will only be onsite if we think that it will be beneficial as the audit progresses.

The Council has provided draft financial statements that are ready for audit in respect of the Council's financial statements. We expect to receive updated financial statements this week that include the full Group financial statements including the group cashflow statement.

We initially discussed our plans for working papers with officers in February and we shared a number of sample requests at that time to be provided at the start of our audit on 26 June 2023. We are working through the working papers and sample evidence that we have received and officers are working to provide the remaining working papers and responses to our samples.

As with previous years, there is a risk of a delay in receiving the IAS 19 assurances from the auditors of Berkshire Pension Fund. We are liaising with them to ascertain their expected timeline.

Since our last report to you, we have received responses from the component auditors, Haslers LLP and Hazlewoods LLP in response to our queries and all of the requested documentation and are working through these.

We are also liaising with officers regarding the accounting for the change in the group structure relating to the Optalis (Holdings) Limited group.

We will update the Committee at the meeting on 19 July 2023 if there are any announcements by the Department for Levelling Up, Housing & Communities about the future timetable for delivery of local government audits.

Status of the 2022/23 audit

2022/23 financial statements

We have been liaising with officers regarding the timeline for the 2022/23 audit. However, this is dependent on timely resolution of the 2021/22 audit, including receipt of a complete IAS 19 letter of assurance from Deloitte.

We issued our Group Instructions to Haslers LLP and Hazlewoods LLP in April 2023 as component auditors of WBC Holdings Limited and group and Optalis Limited, in advance of them completing their audit planning. We have held planning meetings with both of the component auditors and have arranged ongoing liaison to ensure we are kept up to date with the results of their audits.



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Progress Update - Value for Money





Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a requirement under the 2020 Code is for us to include the commentary on arrangements in the Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We will need to do a refresh of our value for money risk assessment prior to issuing the audit report. We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. This will be within three months of issuing the auditor's report.

Status of our 2021/22 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria has not yet started. Our assessment will focus on a combination of:

- Cumulative audit knowledge and experience.
- Review of Council committee reports,
- Review of other documentary evidence available on the Council's website.
- Consideration of financial and performance reporting and outcomes for the year.
- Regular engagement with Council management.

To date we have not identified a risk of significant weakness from our regular meetings with management or attendance at the Audit Committee.

Status of our 2022/23 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria has not yet started.

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