

# Audit Progress Report

Wokingham Borough Council

13 June 2017

Ernst & Young LLP



Audit Committee

30 May 2017

Dear Committee Members

## **Audit Progress Report 2016/17**

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2016/17 audit and to ensure our audit is aligned with Committee 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 to understand whether there are other matters which you consider may influence our audit at this point.

Yours faithfully

Helen Thompson  
Executive Director  
For and behalf of Ernst & Young LLP  
Enc

## Contents

<b>1. Planned work .....</b>	<b>2</b>
<b>2. Timetable.....</b>	<b>4</b>
<b>Appendix A Audit Progress.....</b>	<b>5</b>

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

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 from 1 April 2015’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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..

## 1. Planned work

### Fee Letter and Audit Plan

We issued our 2016/17 fee letter to the Council in April 2016 and we presented our audit plan to the Audit Committee on 8th February 2017.

### Financial Statements

We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2016/17 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. These have proved beneficial as we have developed our understanding of the financial processes discussed a number of areas of the statements and have already selected our samples for substantive testing of income and expenditure transactions for the first nine months of the financial year and shared these with the Council's finance team.

To ensure that we meet the requirements of the faster close arrangements which are due to take effect in 2017/18 we have committed to undertaking as much early work as possible in 2016/17. Below is a listing of the early work that we have been able to complete as part of our interim visit:

- ▶ walkthrough of all key financial systems;
- ▶ opening balances agreement;
- ▶ month 9 testing of income and expenditure;
- ▶ month 9 payroll substantive analytical review including starters and leavers;
- ▶ precept testing;
- ▶ contracts testing; and
- ▶ substantive analytical reviews set up for key balances such as business rates; housing benefits expenditure; housing rents and depreciation

Where we have completed month nine testing of key balances such as income and expenditure and payroll, we will perform top up testing of these balances at year end. However, the early work will greatly reduce the time required to complete the additional testing at year end.

In addition to the above work, we have communicated our year-end working paper requirements to your finance team. To ensure a smooth delivery of the year end we will continue to have regular meetings with key officers as part of our ongoing audit process.

Our interim reviews have not identified any issues we wish to bring to your attention. We have not identified any additional significant risks which we need to bring your attention and therefore at this stage the significant risks we presented in the Audit Plan are those on which we will focus our additional procedures.

Our year end audit visit is currently scheduled for early July and we will be on site for a period of approximately four weeks.

## **Value for money**

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in the use of resources.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

Our work on the value for money conclusion is ongoing. We have no issues to bring to your attention at this stage.

## **Housing Benefits Update**

We have held meetings with the Housing Benefit team and discussed our approach for testing for the certification of the Housing Benefit Subsidy Claim for 2016/17.

## **Local appointment of auditors**

We included in our last progress report details about the decision of the Department of Communities and Local Government (DCLG) not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. This will mean from 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. EY has formally submitted its tender documents to the PSAA as part of the national process and an announcement by the PSAA of the successful tenders is due to be announced in late June 2017. We will ensure that we remain in dialogue throughout this period and will of course discuss the outcome with key officers and the Committee in due course.

## **Other Issues of Interest**

We will continue to send our sector briefings to members and discuss key issues with the Committee.

If members of the Audit Committee have any particular issues they want to discuss with us we would be pleased to do so.

## 2. 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 deliverables we have agreed to provide to you through the 2016/17 Audit Committee cycle.

We will report to the Audit Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	<b>December 2016 to January 2017</b>	Fee Letter taken to the April 2016 Audit Committee
Risk assessment and setting of scopes	<b>January 2017</b>	Audit Plan
Testing routine processes and controls	<b>February 2017</b>	Progress report
Update on interim work completed to date	<b>June 2017</b>	Progress report
Value for money conclusion	<b>December 2016 to September 2017</b>	Ongoing
Year-end audit	<b>July-September 2017</b>	Report to those charged with governance  Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources).  Audit completion certificates
Reporting	<b>September 2017</b>	Annual Audit Letters



## Appendix A Audit Progress

### Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	Reported to Those Charged With Governance in April 2016
Audit Plan	Jan 2017	Completed	Reported to Those Charged With Governance on 8th February 2017
Progress Report to Those Charged with Governance	June 2017	Completed	Reported to Those Charged With Governance on 13rd June 2017
Audit Report (including opinion and vfm conclusion)	September 2017	Not due yet	
Audit Certificate	September 2017	Not due yet	
WGA Certificate	September 2017	Not due yet	
Annual Audit Letter	September 2017	Not due yet	

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)