

Wokingham Borough Council

Audit progress update

January 2020

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23 January 2020



Audit Committee Members
Wokingham Borough Council
Shute End, Wokingham
Berkshire, RG40 1BN

Dear Audit 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 the current status of the Council's 2018/19 audit, given the delay in completing the audit; and to set out a timeline for the 2019/20 audit. 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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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.



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Progress Update



Status of the 2018/19 audit

2018/19 financial statements

As Committee members are aware, the completion of the audit has been substantially delayed. We were notified by the auditors of The Royal County of Berkshire Pension Fund on the day of the July Audit Committee (24 July 2019) that they were unable to provide the required assurances over the information supplied to the actuary of the Pension Fund. The Pension Fund audit was signed on 10 December 2019. However, as at the date of drafting this update (23 January 2020), we are yet to receive the assurance letter. We understand that the letter has been drafted and is subject to review, and that it will be issued by 24 January 2020.

The delay in the certification of the Pension Fund audit was due to audit concerns about two specific issues: the valuation of a longevity hedge and the valuation of a convertible bond. As a consequence, the Pension Fund accounts were revised, with the valuation of these assets being reduced by £74.5m in total. As a consequence, your officers requested a revised report from the Pension Fund to update the IAS19 disclosures within the Council's statements.

Officers have provided us with a revised set of financial statements. We have compared the revised statements against those which were subject to audit in July, and we are currently discussing and agreeing these to the final statements.

We cannot complete our work until we have received the IAS19 assurance letter from the auditors of the Pension Fund. However, we are completing our review of the revised disclosures against the revised report provided to the Council.

We have agreed with the Head of Finance & deputy s.151 officer that we will delay issuing our updated audit results report until 29 January 2020. If we receive the assurance letter by 24 January, we will seek to complete our work and issue a fully updated audit results report for the Committee in advance of the meeting on 5 February 2020. However, if there are any further delays, or there are significant issues that require additional audit work, we will update the audit results report with the details to ensure there is sufficient time for members to read the report. In this instance, we would then provide a further verbal update at the Committee meeting.

Annual audit letter

Until we have completed our work on the financial statements, and issued our audit results report, we are unable to issue the annual audit letter.

We are required to complete the annual audit letter within one month of the audit opinion. We will agree with officers, and discuss with you at the Audit Committee on 5 February 2020, the most appropriate way to circulate the annual audit letter, given the next scheduled meeting of the Audit Committee is likely to be June 2020.



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02 Timetable for 2019/20





Audit timetable for 2019/20

Timetable of communication and deliverables

2019/20 audit

The delay in the completion of the 2018/19 audit has impacted on the start of our 2019/20 audit. We plan to complete our early planning and walkthroughs in late March/early April 2020. We will produce our audit plan and discuss this with officers in early April. We are aware that the next scheduled Audit Committee is likely to be in June 2020. We would like to circulate the audit plan to Committee members before this, if possible, and would welcome your views as to the most appropriate process for this to take place.

The timing of the year end audit is not yet confirmed, and we will also need to obtain assurances from the auditor of The Royal County of Berkshire Pension Fund around their timetable to provide the assurances that led to the delays in our 2018/19 audit.

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