



Wokingham Borough
Council Audit
Committee

Audit progress update

23 November 2020

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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 2019/20 audit, given the delay in completing the audit caused by the later than planned completion of the Berkshire Pension Fund 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 Wokingham Borough 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 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.



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Progress Update





Status of the 2019/20 audit

2019/20 financial statements

Our Audit Plan identified key areas of focus for our audit of the Council's 2019/20 financial statements. This page sets out our observations on work to date on these areas.

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatements due to fraud or error	Fraud	We are carrying out our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls through our work to date.
Incorrect capitalisation of revenue expenditure	Fraud	We are in the process of completing our audit work on capital additions. We are following up a few audit queries in this area particularly around the treatment of REFCUS.
Valuation of Property, Plant & Equipment	Significant	We are carrying out our review of PPE valuations, including a review of assets not revalued. We will be using our EY Real Estate Specialists to test a sample of the Council's assets. As a result of RICS "material uncertainty" clauses included within the valuation reports we have requested that the estimation uncertainty disclosure (Note 4) is enhanced in this area and our audit report may include an Emphasis of Matter paragraph to draw attention to this disclosure.
Pensions Liability Valuation	Significant	We have reviewed the accounting entries and disclosures in the draft financial statements. We are in the process of assessing the work of the pension fund actuary. The assurance letter from the auditor of the Berkshire Pension Fund will be provided to us in late January 2021, which will then enable us to conclude our work on the pensions fund assets and liabilities.
Going concern	Inherent risk	Going Concern Compliance with ISA 570. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. We have yet to receive management's detailed Going Concern assessment and an evaluation of the Council's financial resilience to support its commentary in the accounts about the risks and uncertainties regarding the Council's financial position.
PFI estimates	Inherent risk	PFI is a complex area and we commissioned a detailed review of the assumptions used in the RE3 PFI accounting model and a commentary on local adjustments made to the model for the 2018/19 audit. We have yet to review the planned entries and disclosures for the Council's 2019/20 accounts.



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Timetable for completion





Audit timetable for 2019/20

Timetable of communication and deliverables

2019/20 audit

Audit phase	Timetable	Audit Committee timetable	Deliverables
<u>Planning:</u> <ul style="list-style-type: none"> Risk assessment and setting of scopes Walkthrough of key systems and processes 	January / February 2020		
<u>Interim audit:</u> <ul style="list-style-type: none"> Early substantive testing Walkthrough of key systems and processes. 	March / April		
	June	3 June 2020	Audit Planning Report
<u>Year end audit</u> <ul style="list-style-type: none"> Audit Completion procedures - Phase I (Note1) 	20 July to 14 August		
<ul style="list-style-type: none"> Audit Completion procedures - Phase II (Note 1) 	28 September to 16 October	25 September 2020	
		23 November 2020	Audit Progress Report
<ul style="list-style-type: none"> Audit Completion procedures - Phase III (Note1) 	2 to 18 December and early January 2021		
<ul style="list-style-type: none"> Receipt of IAS19 Pension Fund Assurance from the Berkshire Pension Fund auditor 	early February	3 February 2021	Audit Results Report
			Audit opinions and completion certificates
			Annual Audit Letter

Note 1: We split the final audit visit into phases I to III as the finance team have had to deal with competing pressures in terms of 21/22 budget preparation, COVID payments and the external audit.

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