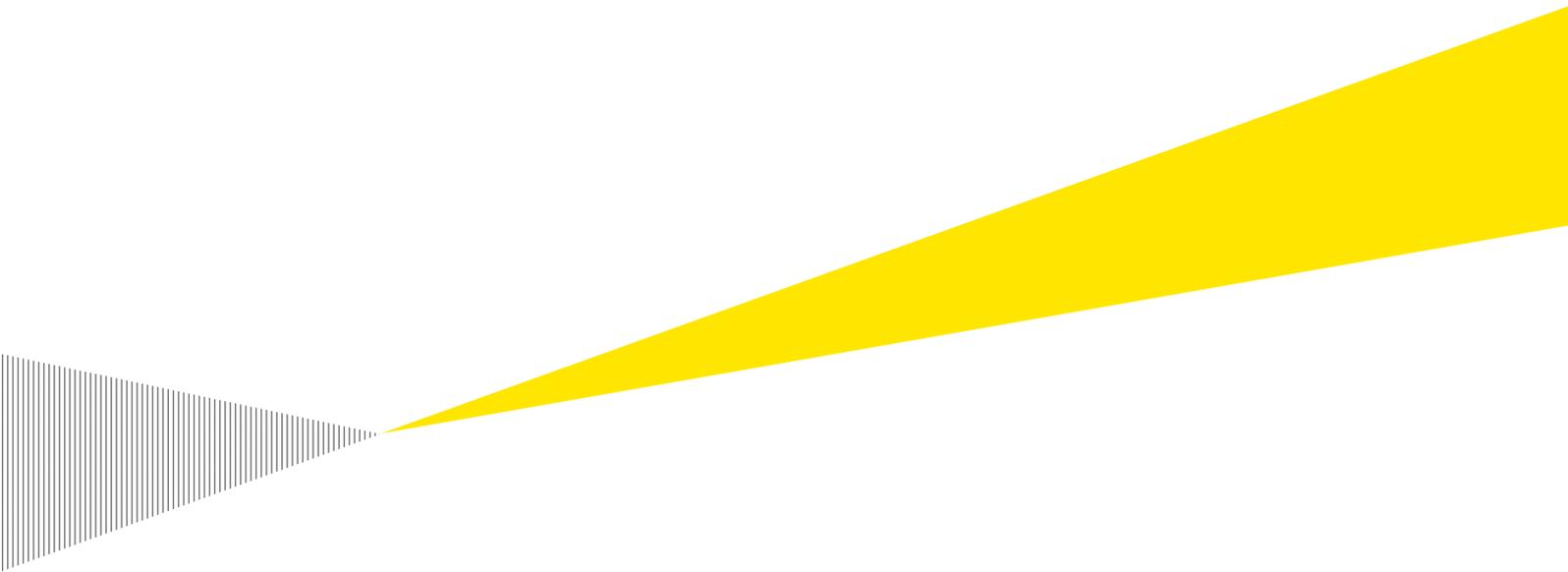


Wokingham Borough Council

Audit Committee Progress Report

June 2016



Audit Committee

15 June 2016

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee where we have a specific update for the Committee. For other key audit deliverables you can expect from us throughout the audit please see the timetable attached at the end of this report.

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
Executive Director
For and behalf of Ernst & Young LLP

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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)

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..

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

We completed our walkthrough of the key financial systems in February/March 2016. We did not identify any significant issues from this work.

Our controls work is substantively complete and we will complete the remainder of this work in June.

There are no significant matters arising from our initial planning meetings or work that we need to bring to your attention at this stage.

We have continued to liaise with officers on their plans in relation to the new requirements for highways network assets and the Better Care Fund. We met with the Head of Finance and the lead for the Better Care Fund to discuss the proposed accounting treatment for the Better Care Fund. We agreed that we would take a look at the proposed treatment prior to the production of the financial statements. We have now received that response and are currently reviewing it. We will be happy to provide a verbal update to the Committee.

We also met the Capital Accountant and the internal valuer to discuss their proposed treatment of the change in respect of IFRS 13 Fair Valuation and the impact on Investment Properties. We have completed early testing in this area and have no issues to report at this time.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We have now finalised the exact dates for our audit visit, and have had early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, is presented as a separate item to this Audit Committee. As noted in our previous progress report to the February Audit Committee, we shared the audit plan with senior officers before the end of March 2016. Officers did not have any comments on the audit plan.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money

We carried out our initial risk assessment in early 2016. We are happy to report that at the planning stage of the audit we did not identify a significant value for money risk at Wokingham Borough Council.

Our assessment will continue throughout the audit and should anything come to our attention which may change this assessment we will update this Committee in due course.

Housing Benefits 2014/15

At the February Audit Committee we presented our report on the work completed on the 2014/15 Housing Benefits subsidy claim. We noted in the report that we identified errors in relation to the incorrect classification of overpayments. We also noted that the errors were corrected by the Council and had a small net impact on the claim.

Following questions from Committee members in respect of that report and a specific request from the Committee that they be supplied with information regarding the total of the errors we are happy to provide the following information:

- We identified 1 error in our initial sample of 20 Rent Allowance cases which was classified to contain some periods as eligible overpayments. However, testing confirmed that this was actually Local Authority error

In line with the guidance we were required to test a further sample of 40. Of that 40:

- One case where income had been incorrectly assessed as following a system update, this should have been classed as Local Authority Error.
- One case where income had been calculated weekly instead of monthly, leading to an overpayment to be classed as Local Authority Error.
- One case where an input error lead to the claim being paid immediately, thereby causing an overpayment due to Local Authority Error.
- One case that had been set up incorrectly and then cancelled, but lead to an overpayment which should have been classed as Local Authority Error.

The value of the errors found ranged from £0.91 to £191.28 and the benefit periods ranged from 1 week to 7 weeks. The total value of errors was £534 out of a sample value of £21,017. This equated to 2.54 %.

When extrapolated over the total value of the affected cell, as per the subsidy claim at £522,738, this returned an adjusted value of £13,378.

Discussions with key officers have indicated that there has been no subsequent follow up from the Department for Work Pensions (DWP) on the audited 2014/15 claim and therefore there is no further risk to the Council in respect of monies being clawed back by the DWP in respect of the extrapolated errors. We can also confirm that there has been no request by the DWP to EY to complete follow up work on the 2014/15 subsidy claim and can therefore conclude that subject to issues being brought to our attention we will not be completing further work on the claim.

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. We should also note that there is no restriction on your current auditor re-tendering for the new contract. We provided a further verbal at the February Audit Committee and since that meeting further information is emerging in respect of the re-tendering process. We will therefore be happy to include a verbal update at the June Audit Committee.

It is our intention that we will continue to keep you regularly updated throughout the process as more information becomes available to us and we will of course be happy to take any further questions you may have at the Audit Committee on 15 June.

Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	June 2015	Completed
51 Risk assessment and setting of scope of audit	Dec 2015 - March 2016	Audit Plan	June 2016	Completed
Testing of routine processes and controls	Feb-March 2016	Progress Report	June 2016	Completed
Year-end audit	August- September 2016	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start during August 2016.

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

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