

# Rushmoor Borough Council

## Progress Report

June 2016



Building a better  
working world



Licensing and General Purposes Committee  
Rushmoor Borough Council  
Council Offices  
Farnborough Road  
Farnborough  
Hampshire GU14 7JU

27 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

Andrew Brittain  
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.psaa.co.uk](http://www.psaa.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 June 2015.

### Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing 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 and March 2016.

There are no significant matters arising from our initial planning meetings or work that we need to bring to your attention at this stage. The significant risks we identified within our plan have not changed. We also have not identified any additional significant risks since the audit plan was presented to the March 2016 Committee.

### 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 achieved regarding their annual audit plan, and the results of their testing of financial systems as part of our assessment of the Council's wider control environment. Sometimes, where it is appropriate to do so, we will undertake procedures to enable us to place reliance on their evidence of controls' testing work.

For the 15/16 audit as it is our intention to take a fully substantive approach to the audit, and therefore not rely on the testing of controls to support our audit opinion, so we will not be placing direct reliance on the controls' testing work of Internal Audit.

### 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, was presented to the Committee in March 2016.

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 can confirm that at this stage we have not identified a significant risk in respect of value for money. Our assessment will continue throughout the audit cycle and we will update the committee should anything change in respect of our assessment of this key area.

## Local appointment of auditors

The Department of Communities and Local Government (DCLG) has decided 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 will be happy to take any questions you may have on this subject at the Committee meeting on 27 June.

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 meetings in the future.

## Accelerating your financial close arrangements

On 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015.

A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. These changes provide challenges for both the preparers and the auditors of the financial statements. The good news is that with good planning, communication and joint working, those deadlines are highly attainable.

The majority of Councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines. Below we have included some suggestions which will help achieve this new statutory deadline. We will continue to engage with officers to ensure that Rushmoor Borough Council is well placed to meet these new statutory deadlines.

As with any project, the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements. We appreciate that each client starts from a slightly different base position. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- ▶ revisit the current project timetable;
- ▶ carry out an early in-year financial hard close;
- ▶ review the format of your accounts;
- ▶ review your approach to estimates;
- ▶ review your year-end journal process;
- ▶ review the operation of your ledger system; and
- ▶ consider how fit for purpose is your current financial reporting system?

We will continue to organise regular meetings with your finance team and use this as a mechanism to discuss options for early close and our early substantive testing. We will continue to provide the committee with regular updates on our progress in this area. Discussions with your CFO on this area have been pragmatic given the changes within the Finance team in year.

We are also happy to discuss the wider process with you in more detail at the Committee meeting on 27 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 Local Government Audit Committee Briefings, which we will continue to share with you at future Committee meetings.



## 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	<b>Ongoing</b>	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	<b>Dec 2015 - March 2016</b>	Audit Plan	March 2016	Completed
Testing of routine processes and controls	<b>Feb-March 2016</b>	Progress Report	June 2016	Completed
Year-end audit	<b>August- September 2016</b>	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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