

Rushmoor Borough Council

Licensing and General Purposes Committee

External Audit Progress Report

9 April 2018



Building a better
working world

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

9 April 2018

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Licensing and General Purposes Committee in January 2018.

Our audits are 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 at your meeting on 9 April 2018.

Yours faithfully

Andrew Brittain
Associate Partner
For and on 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”. It is available from the via the PSAA website (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 (updated February 2017)” 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 Licensing and General Purposes Committee and management of Rushmoor Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Licensing and General Purposes Committee, and management of Rushmoor 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 Licensing and General Purposes Committee, and management of Rushmoor 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.

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.

Progress on 2017/18 external audit

Planning

Our planning procedures for 2017/18 are complete, and our audit plan was presented to the 29 January Licensing and General Purposes Committee meeting. We have also undertaken our walkthroughs of key financial systems for 2017/18 as part of our planning and risk assessment audit work.

Interim audit

We performed our interim audit in February and completed the following:

- Use of data analytics tools for an efficient selection and testing of samples for months 1 to 10 testing.
- Good progress has been made in completing the planned programme of interim substantive testing, with samples being tested for income and expenditure, payroll, and property, plant and equipment (PPE). The challenge of meeting the faster close deadline of 31 July remains considerable, but the work completed during our interim audit will make a significant contribution to doing so.
- Early work is underway to address some of the areas of focus identified in our audit plan, principally around the Council's accounting estimates and accounting policies (the last two forming part of our work to address the risk of management override).
- We have held regular catch-up meetings with the finance team to update on audit progress, discuss and resolve audit issues promptly, and to identify any further steps which may need to be put in place for the year-end audit visit.

Value for money conclusion

We have also commenced our work on the two value for money risks:

- Delivery of a sustainable medium term financial strategy; and
- Effectiveness of the Council's risk management framework.

Final audit

Our year-end audit is due to commence on 25 June 2018. In advance of this visit, we are meeting with finance staff again, on 26 April, to discuss our detailed working papers request to help ensure the audit can commence promptly on the agreed date. We will also maintain an open dialogue with officers to understand any issues emerging from the production of the financial statements and the supporting working papers.

Appendix 1 – Faster Close Key Messages

Following the discussion held at the 29 January 2018 Licensing and General Purposes Committee meeting as part of presenting our audit plan, we have set out below the key messages which we are communicating consistently to all authorities with regard to the earlier timetable for accounts production and audit completion for 2017/18. We would be happy to discuss this again at your April Committee meeting if you would like to do so.

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines for the 2017/18 financial year. For this year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include internal quality assurance arrangements, late working papers, and slippage in delivering data for analytics work in format and to the timescales required.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and good supporting working papers by the agreed deadline of 25 June;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions and information requests.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may include postponing your audit until later in the summer and redeploying the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- work with the Council to engage early to facilitate early substantive testing where appropriate, in particular early work on the PPE revaluation on 26th and 27th April.
- provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- continue to work with the Council to implement EY Client Portal, this will:
 - streamline our audit requests through a reduction of emails and improved means of communication;
 - provide on –demand visibility into the status of audit requests and the overall audit status;
 - reduce risk of duplicate requests; and
 - provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

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