

# External audit progress report

Rushmoor Borough Council

July 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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01

# Progress on the 1819 audit





# Progress on the 1819 audit

## Risks around the 31 July deadline for publishing of the financial statements

### Introduction

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts was brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes brought risks for both the preparers and the auditors of the financial statements:

- The Council has less time to prepare the financial statements and supporting working papers. Risks to the Council include internal quality assurance arrangements and slippage in providing working papers, explanations and evidence to respond to audit queries.
- 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 same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

### Risk

To mitigate this risk we stated in our 2018/19 Audit Plan, presented to the Licensing, Audit and General Purposes Committee on 28 January 2019, that we would require:

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

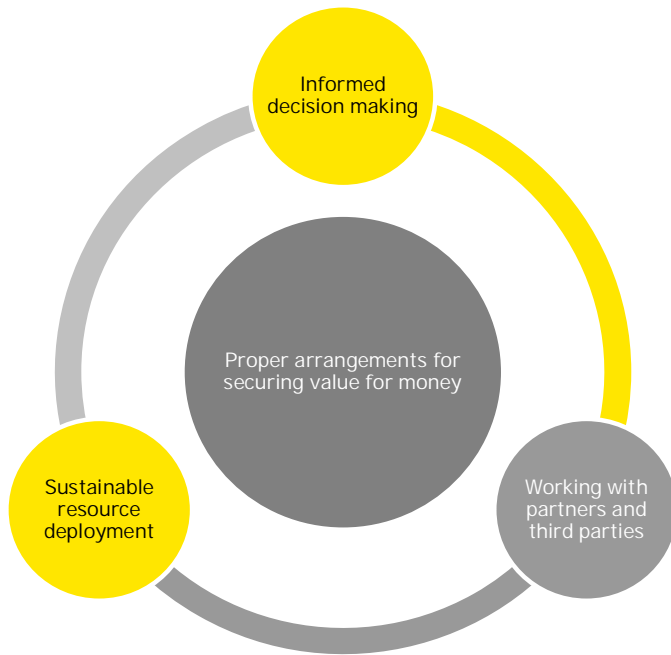
We stated in our audit plan that, if key dates within our agreed timetable were not met or if additional risks were identified which required additional work, we would notify you of the impact of this on the completion of the audit.

### Impact on 18/19 audit

- The Council's 2018/19 financial statements were presented for audit with an uncertainty in the Property, Plant and Equipment (PPE) balance in the Council's Balance Sheet.
- We commenced the audit on 24 June, and have made good progress in most areas. However officers were still querying some of the asset values provided by the Council's Valuer, and were looking to adjust the PPE balance by some £11.7 million. Some material PPE adjustments have been made, however officers are still questioning the appropriateness of the value of the Council's depot which was built in 2018 at a cost of £5.8 million. This has been valued by the Valuer at approximately £800k. Understandably, given that this is a material difference, officers are seeking a second valuation. Additionally we have raised this as a significant risk and have commissioned our own specialists to carry out some work on our behalf. This additional work for both Council and EY will clearly take time to complete and therefore we have unfortunately had to delay the completion of the external audit whilst this is being carried out.
- By taking this action now it supports the quality of the external audit and our reporting to you as TCWG.
- In order to meet its obligations under the Accounts & Audit Regulations 2015, the Council is required to publish the Statement of Accounts by 31 July 2019, and state that it is unaudited at that date.



# Value for Money



## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We identified two significant risks to our Value for Money Conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

We found that the Council's Corporate Risk Register had not been updated since it was first presented to the Licensing, Audit and General Purposes Committee in January 2018. Officers recognise that proper risk management arrangements have yet to be embedded in the Council and a first meeting of the new Corporate Risk Management Group was held on 18 July 2019. Plans are in place to improve the accountability and audit trail in managing risk. Officers propose that service risk registers are to be built into service plans and that the Corporate Risk Register will be updated to include the high scoring service risks and the cross-cutting strategic risks with a named owner and actions going forward to manager risk to an acceptable level.

We therefore propose to give an "except for" value for money conclusion for the Council for the year end 31 March 2019, which will report that the Council's arrangements to secure economy, efficiency and effectiveness in your use of resources are adequate except for the Council's formal risk management arrangements which need updating.



02

Looking forward to completion of  
the 2018/19 audit



# Looking forward to completion of the 2018/19 audit

## Revised timetable of communication and deliverables

### New timeline

We reported our planned timetable in our Audit Plan presented to the Licensing, Audit and General Purposes Committee on 28 January 2019. We suggest the following revised timetable for the audit.

Audit phase	Timetable	Licensing, Audit and General Purposes Committee timetable	Deliverables
Planning:	November 2018		
<ul style="list-style-type: none"> <li>Risk assessment and setting of scopes.</li> <li>Walkthrough of key systems and processes</li> </ul>	January 2019	28 January 2019	Audit Planning Report
Interim audit	February / March		
<ul style="list-style-type: none"> <li>Substantive testing</li> </ul>			
Year end audit postponed	July	29 July 2019	Audit Progress Report
Year End audit	September		
<ul style="list-style-type: none"> <li>revised timetable TBC</li> </ul>	October	23 September 2019 – TBC	Audit Results Report Audit opinions and completion certificates
Audit Completion procedures	November	27 January 2020	Annual Audit Letter

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