



Report to the Standards and Audit Committee
WOKING BOROUGH COUNCIL

Audit Progress Report: year ending 31 March 2020



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We have pleasure in presenting to you a progress report on our 2019/20 audit. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

We look forward to discussing this report with you at the Standards and Audit Committee meeting on 16 September and to receiving your input.

In the meantime if you would like to discuss any aspects of this report in advance of the meeting we would be pleased to do so.

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9 September 2021



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This report has been prepared solely for the use of the Standards and Audit Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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Audit scope

The scope of the audit is determined by the National Audit Office’s Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor’s wider reporting powers and duties.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

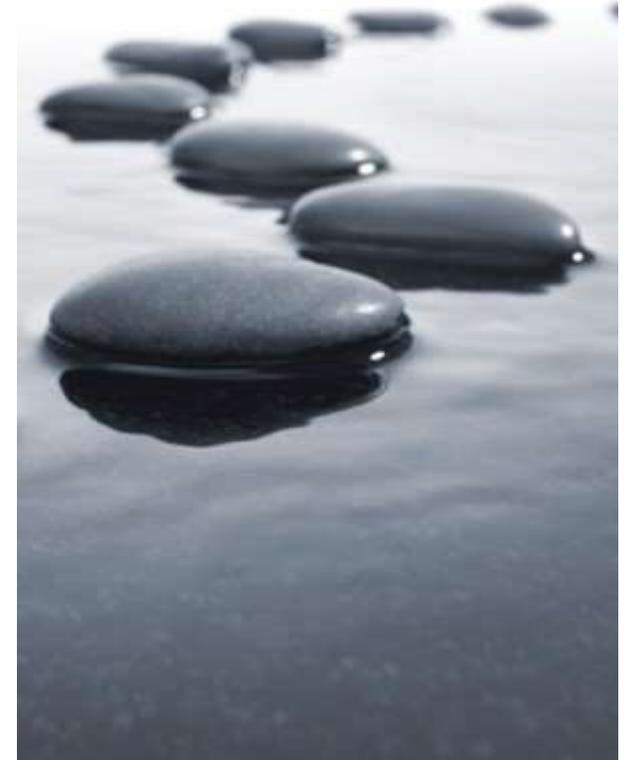
National timetable

The timetable for auditors to issue their audit report on 2019/20 audits was 30 November 2020. We have been unable to meet this deadline for a number of reasons, including the previously reported delays to our 2018/29 audit, the impact of the Covid-19 pandemic, and the challenge created by the increased scrutiny and attention on property valuations and the valuation of pension liabilities.

We are aware that there remain a large number of 2019/20 local government audits in progress, not only from the BDO portfolio of local authorities but also across other firms and the wider sector. This is a sector wide issue and not solely focussed on BDO or on Woking Borough Council.

Audit Planning Report

We presented an outline Audit Planning Report to the Council’s Standards and Audit Committee in March 2020.



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Progress

We completed the detailed planning work for our 2019/20 audit between January 2021 and March 2021. We then presented an updated Audit Planning Report to the Standards and Audit Committee in March 2021. Our updated report included a number of additional significant risks, including risks around the recoverability of loans made by the Council to its subsidiaries and associates, and calculation of the Minimum Revenue Provision (MRP). We also provided further detail on the approach we would take to the significant risks we identified.

We completed initial systems and controls evaluation discussing with relevant officers the various processes and key operating controls of the finance system. Elements of this work will now be subject to further review by specialist IT auditors within our Technology and Risk Assurance Team.

In August 2021 we commenced transactional testing of income and expenditure items recorded in the Council's Comprehensive Income and Expenditure Statement, and of the assets and liabilities recorded in the Council's Balance Sheet. We have submitted to officers a large number of requests for supporting documentation. A number of these have been responded to, and officers are currently working through those that remain outstanding.

Based on the work we have completed to date, we have not identified any significant matters to bring to the attention of members. There have been no significant changes to the planned audit approach set out in our updated Audit Planning Report, and no additional significant audit risks have been identified.

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Group financial statements

The Council is required to prepare group financial statements, consolidating the transactions and balances of its wholly owned subsidiary companies. These subsidiaries are subject to audit by Hamlyns LLP. Hamlyns are not yet in a position to issue their Auditors Report on the 2019 financial statements for Thameswey, or Thameswey Energy, Housing and Developments. Our understanding is that Hamlyns are aiming to complete their audit of these subsidiaries by the end of September 2021. The Council will then need to prepare consolidated accounts. In undertaking our audit we will;

- Test the consolidation of amounts into the Council's group accounts
- Review the audit work undertaken by Hamlyns and assess what reliance we are able to place on that work
- Test any consolidation adjustment made by the Council, reflecting the different year end dates for the Council and its subsidiaries.

This work can only be completed once the Council has prepared its group financial statements.

Local elector objection

In our Audit Planning Report we noted that we have received an objection from a local elector alleging that the Council's MRP policy is unlawful. As part of our work in this area, we will consider the matters raised by the objector and, following the conclusion of our work, we will write to the objector setting out our findings.

Use of Resources

We are required to be satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting 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.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

In our Audit Planning Report we identified two significant risks, around sustainable finances, and the Council's decision making processes and its governance and risk management arrangements for major projects. Our work in this area is in progress.

Fraud

While members of the Council and the Director of Finance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We request that if members are aware of any instances of fraud, either alleged or actual, that they bring these to our attention.

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Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's Ethical Standard. Our assessment of our independence is kept under review throughout the course of our audit. We will provide further confirmation of our independence in our Audit Completion Report.



Audit fees

In our 2018/19 Annual Audit Letter we noted that we have submitted a request to PSAA Limited to vary the scale fee 2018/19 by £65,000. In our view, the current scale fee set by PSAA Ltd for the Council does not reflect the Council's significant investment in commercial property in recent years, or any of the changes in audit scope linked to current audit requirements for property assets and pensions liabilities. As a consequence of this change in scope and material errors identified in the Council's draft financial statements, we incurred significant additional costs in 2018/19. We have discussed these additional fees with officers and submitted a proposal to PSAA Ltd to vary the scale fee. PSAA Ltd are in the process of determining that fee.

Next steps

We will continue to work with Officers to ensure our audit opinion is signed as soon as possible. At the July 2021 meeting of the Standards and Audit Committee, I noted that we intend to bring an Audit Completion Report, in which we would set out the results of our 2019/20 audit, to the November 2021 meeting of the Committee. At this stage this remains a realistic aim, but we will continue to discuss the progress of our audit with the Director of Finance and Chair of Standards and Audit Committee.

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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