

The Interim Audit Finding for Warwick District Council

Year ended 31 March 2017

July 2017

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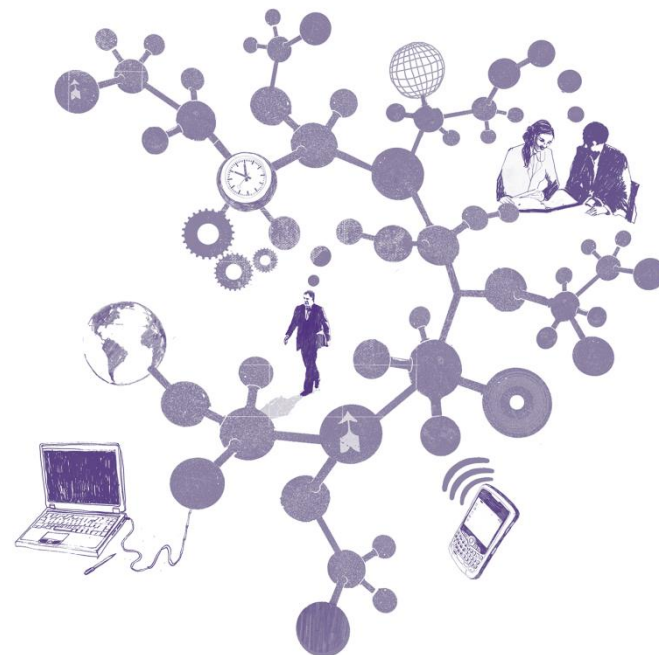
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25th July 2017

Dear Members

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Interim Audit Findings for Warwick District Council for the year ending 31 March 2017

This Interim Audit Findings report presents the interim findings arising from our audit of the District Council's accounts for the year ended 31 March 2017. We were due to have concluded our audit in time to present our full Audit Findings Report to the 25th July meeting of the Finance and Audit Scrutiny Committee, but for the reasons set out in this report, this has not been possible and the full report will instead be presented to the 30th August meeting. This interim report is being submitted to the July meeting in order to inform you as 'Those Charged with Governance' of the progress on the audit, the key findings so far and the reasons for the delay.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson
Engagement Lead

Chartered Accountants

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Purpose of this report

This Interim Audit Findings report presents the interim findings arising from our audit of Warwick District Council's (the Council) accounts for the ended 31st March. We were due to have concluded our audit in time to present our full Audit Findings Report to the 25th July meeting of the Finance and Audit Scrutiny Committee, but for the reasons set out in this report, this has not been possible and the full report will instead be presented to the 30th August meeting. This interim report is being submitted to the July meeting in order to inform you as 'Those Charged with Governance' of the progress on the audit, the reasons for the delays, the key findings so far and the plan to complete the audit.

This interim report intentionally does not cover all of our duties and responsibilities, and nor does it therefore meet all of the areas we are required to report to you under International Auditing Standard 260. Our report to the August meeting will address all the required areas.

Background

Members will be aware that the statutory deadline for the publication of audited local authority accounts is being brought forward, with the statutory requirement coming forward to 31 July with effect from the 2017/18 audit. The Council reported this to Executive in November 2016, and sought approval for the committee timetable and scheme of delegation to be changed so that an early close could be piloted during the 2016/17 financial year.

In reporting to the Executive officers recognised that this was a project that while led by finance, needed the full support of all officers of the Council and that there were various changes that needed to be made to the process to ensure the earlier timetable could be achieved. These included:

- Greater reliance placed on estimates,
- More external audit work undertaken at earlier points in the year,

- More tasks undertaken on a rolling basis by the accountancy team,
- Reduce the size of the accounts
- Reliance on information from other service areas to be produced much earlier and within earlier deadlines.

Our audit plan reported in April 2017 specifically followed up on key areas of focus for the Council in relation to early close. We highlighted that officers were continuing to review the accounts, but that at the time they remained over 100 pages long. In addition, we reported that there was a project plan in place for the earlier closure of the accounts, but that this remained similar to previous years in that the focus was to require similar tasks to be completed earlier rather than looking at how to make the overall process more efficient.

The accounts audit

The Council produced a draft set of accounts for audit for the 6th June, just short of your internal deadline of the end of May. The period of public inspection was triggered on the 12th June, with the draft accounts being made available to the public via the website.

The audit worked commenced on the 3rd July in line with the agreed timetable, with working papers available as in previous years.

The audit is significantly advanced and almost a month ahead of the same position last year. However, there are a number of issues that are unresolved at this time, which means that we need to delay the reporting of the full audit findings report. The main reasons for the delay are;

- Our audit testing of operating expenditure has identified a number of potential errors in the population. We are working with officers to determine the impact of these errors, however it may be necessary to extend our sampling in this area to reach a conclusion on whether the balances are not materially misstated.

- Our audit testing of fees and charges income identified a potential error in the population. Again we are working with officers to understand the nature of this transaction, however it may be necessary to extend our sampling in the area to reach a conclusion on whether the balance is materially stated.
- Our review of Investment Property identified that these had not been revalued in year, which represents a deviation from the Code. Officers have determined that the most efficient way to demonstrate that this does not represent a material misstatement in the valuation of Investment Properties is to get these properties revalued. We are currently assessing the new valuation but this has caused a delay in the process.
- As in previous years, our review of the completeness of the journal population has been a long and difficult process. While there have been improvements in the process from the prior year, further improvements are needed to ensure that a full and complete journal population can be extracted from the general ledger in an efficient manner.
- As part of last years audit findings report we recommended that the finance staff should consider how to structure the working papers to support the financial statements, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process. Some progress has been made in this area but working papers have still been difficult to locate, and in some instances not available upon request, with a delay being experienced while officers complete the working papers and provide them to audit. This has inevitably led to delays in the audit process.

The Way Forward

Both the audit team and officers recognise that we have not achieved the end of July timescale this year, but acknowledge that this was always intended to be a pilot year.

We have discussed the immediate way forward with the Head of Finance, and agreed that a full Audit Findings Report will be available for the 4 August 2017. This will be reported to Finance and Audit Scrutiny Committee at its next available meeting of the 30 August 2017. With the opinion planning to be signed on the 1 September 2017. This is still a significant improvement from prior years where the opinion was signed on the 26th September.

Looking further ahead we have already identified a number of improvements that could be made to the process in future years to ensure that the statutory deadline can be achieved. These include:

- Critically reviewing the closedown timetable and identifying areas that could be completed earlier in the year;
- Considering where greater use could be made of estimates to close down the accounts;
- Agreeing further areas of the audit that will be available to audit earlier than during the final account visit,
- Learning from other local authorities that have a good track record of earlier close down,
- Continuing to review the accounts so that they are as streamlined as possible, eliminating the need for work on areas that are not material to the reader of the accounts, and
- Ensuring that everyone is committed to an early closedown process and that this is led by the finance team and supported by all service departments.



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