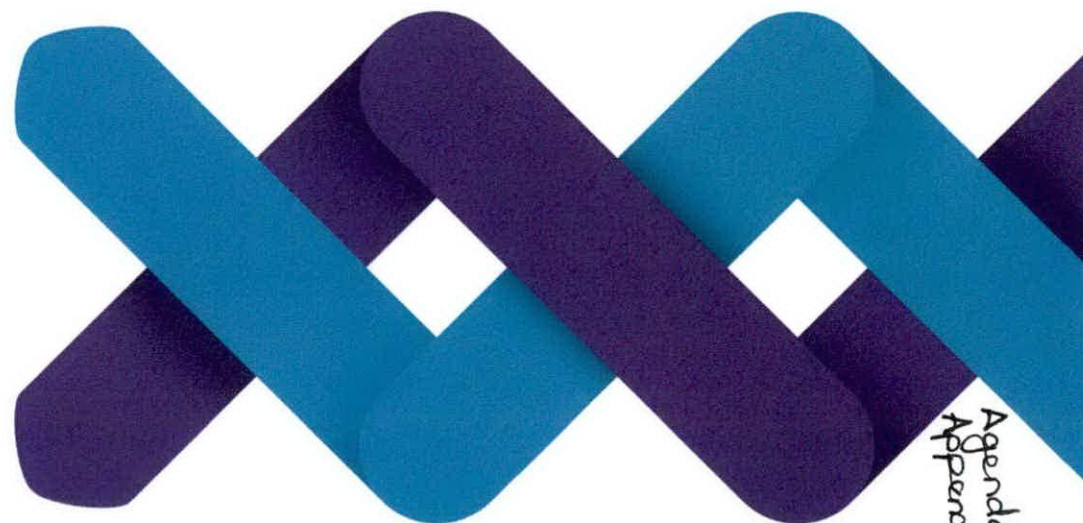


Audit Progress Report **Cotswold District Council**

Year ending 31 March 2019

16 July 2019

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Agenda Item 10
Appendix A.

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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2019

Financial Statements Audit

We have completed planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in March 2019. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We are reviewing documentation and progressing our discussions with management which will clarify and support management's view that the Council bears the actuarial risks in respect of the pension liability of former Council employees who TUPE transferred to Publica in November 2017, following our recommendation to officers in July 2018.

As set in more detail on page 6, the delivery of the 2018-19 audit has been delayed due to constraints in our audit resources. The statutory deadline for the publication of the Council's accounts remains unchanged at 31 July 2019. We are discussing our plan and timetable with officers to complete the audit as soon as possible after this date, with the intention of presenting our audit findings report and opinion to a special committee meeting during September.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

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

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified two significant Value for Money Risks – the Council's Medium Term Financial Strategy and the Council's arrangements for the ongoing governance and contract monitoring arrangements surrounding Publica Group (Support) Limited. We are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion at the next Audit Committee meeting.

Other areas

Meetings

We met regularly with Finance Officers and your Chief Finance Officer, as part of our quarterly liaison meetings. We continue to discuss with finance staff emerging developments and issues, such as the McCloud pension issue, to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February 2019, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are available on our website, where we have a section dedicated to our work in the public sector. www.grantthornton.co.uk.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to a special meeting of the Audit Committee in September.	September 2019	Rescheduled
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2019	Rescheduled
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2019	Not yet due

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Audit Deliverables

Financial Statements Audit

As your auditors, we work very hard to conduct our work in as timely a manner as possible, and to provide the best service that we can. As you know, we resource our audits with specialist public sector auditors, steeped in local government audit and local experience. Our auditors are passionate about their work and are committed to doing a great job for the authorities they audit.

Unfortunately, such high performing and talented people can sometimes be in short supply, and we have noticed particular recent pressures which will impact the audit of the Council. To ensure we provide the quality of work that we all expect and to avoid untenable pressures on our auditors as well as your finance team, we have come to the decision that we will be unable to complete this year's audit by the end of July 2019. We have discussed this with your Chief Finance Officer and we know that this will be a disappointment to you. We can confirm that this was not an easy decision to take and all alternatives were considered before taking this action, we can also reassure you that we are doing all we can to resolve this issue on a longer term basis.

In terms of the statutory position, the following will apply:

- The Council's responsibility under the Accounts and Audit Regulations 2015 is to publish an explanation of why the audited accounts are not available by 31 July 2019. The Regulations do not require the audit to be completed by this date.
- Provided it does this, the Council will not be in breach of its requirements under the Audit and Accountability Act 2014.
- We will report the position to PSAA citing our resource constraints as the reason for the delay, and making it clear that the firm is taking full responsibility for the deferral.

The specific wording that you use to explain the delayed opinion is a matter for the Council for determine.

Once again, please accept our apologies that we will be unable to complete the audit by the end of July 2019. We would be happy to discuss further with you and your members the work that Grant Thornton is doing to influence various sector stakeholders to improve the future of local government financial reporting and external audit, including our ongoing commitment to the active recruitment of CIPFA trainees as well as experienced hires. We remain strongly committed to the local government sector and to wider public services.

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

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	Work performed	Conclusions and recommendations
Review of information technology controls	<p>Our information systems specialist performed a follow up review of the general IT control environment and design effectiveness of the IT general controls.</p> <p>Recommendation in relation to the following areas reported in 2017/18 were followed up:</p> <ul style="list-style-type: none"> • Proactive review of logical access within Active Directory • Northgate (Revenues and Benefits system) access management procedures • Agresso (financial ledger) and Northgate password settings • Lack of adequate screensaver setting in Active Directory 	All recommendations raised in 2017/18 have been implemented and are closed.
Walkthrough testing	<p>We have completed a number of walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work in this area is ongoing and is subject to completion at the final audit stage.</p> <p>To date, our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach however we note that our work in this area is ongoing and is subject to completion at the final audit stage.</p> <p>We will report on the results of the pension liability system and the property, plant and equipment system during the final audit.</p>

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will undertake detailed testing of journal entries during the final audit.</p>	<p>Our review of journal entry controls, policies and procedures has not identified any significant weaknesses.</p> <p>We will undertake testing of unusual journal entries including whether all journals have been subject to approval as part of our final audit visit.</p>
Early substantive testing	<p>We have undertaken substantive testing for months 1-10 on the following areas:</p> <ul style="list-style-type: none"> • Operating expenditure • Other income • Welfare benefits 	<p>No issues have been identified that we wish to highlight for your attention, subject to substantive testing for months 11-12 at the final audit stage.</p>



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