

Agenda Item 6

East Cambridgeshire District Council  
Audit Progress Report

March 2018

15 March 2018



Dear Members of the Resources and Finance Committee

This document provides the Committee with a report on the progress of our audit of the Council's 2017/18 statement of accounts and is part of our commitment to ensuring that our audit is aligned with the Committee's service expectations.

We agreed our detailed Audit Plan with you at the Resources and Finance Committee on 29 January 2018.

This progress report again highlights the implications of the earlier deadline for the production of the Council's financial statements and also updates you on changes to the group audit scope.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel  
Associate Partner

For and on behalf of Ernst & Young LLP

United Kingdom



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# Executive Summary



# Executive Summary

## Audit Planning

In November and December 2017 we completed our planning procedures for the 2017/18 (FY18) audit. This comprised:

- ▶ Meetings with key staff to discuss the significant risks facing the Council; and
- ▶ Updating our understanding of the Council and its business.

The work we undertook at the planning stage informed our approach to the opinion audit and our value for money conclusion as set out in our audit plan, which we presented to the Resources and Finance Committee on 29 January 2018.

The plan included our assessment of the significant risks relating to our 2017/18 audit.

## Audit of the statement of accounts

Following the completion of the FY17 audit we have discussed with the finance team what worked well and areas for improvement. We have also agreed areas of focus for supporting the achievement of the earlier deadlines.

We have completed our interim audit which comprised of:

- ▶ Undertaking walkthroughs of key financial systems and test of controls where applicable.
- ▶ Early work on valuations and depreciation, accounting policies, month 1 to 9 testing of income and expenditure, payroll sampling, and any other areas that the finance team made available for an early audit.
- ▶ Early use of analytics, to enable us to capture whole populations of your financial data, in particular journal entries. Analytics help identify specific exceptions and anomalies which we can then focus substantive audit tests.

We experienced some delays in obtaining some audit information largely due to the change in key finance staff. Our interim audit therefore concluded a week later than originally planned.

We have agreed with the finance team that we will commence the final accounts audit visit on 25 June 2018. We have also agreed an earlier timetable with the auditors of the trading company.



## Other areas of audit focus

### Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial 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 their financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in the required format and to time required, late working papers, delays in gathering information from external sources such as from the valuer and internal quality assurance arrangements covering for example fixed assets.

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 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.

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 be that we postpone your audit until later in the summer and redeploy 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.

### What we will do?

We will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Encourage the Council to implement the 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.



## Other areas of audit focus

### Changes in group audit scope

In the previous year we designated East Cambs Trading Company Ltd (ECTC) as a Specific Scope engagement which limited our focus on specific balances namely Operating Expenses and Work in Progress. For 2017/18 on the basis of risk we have changed the scoping of this component and designated it as a Full Scope engagement which requires a full audit of the company's financial statements. We have instructed the auditor of ECTC to perform procedures covering all the significant balances for ECTC based on the materiality thresholds set within our group audit instructions.

### What have we done?

We have:

- Engaged early with the auditors of ECTC (Price Bailey) and issued our group audit instructions
- Agreed a timetable of communications which ensures the necessary information is available to facilitate the earlier production of the Council's financial statements and earlier issue of our audit opinion.



# 02 Timetable

## Resources and Finance Committee timeline

- ▶ We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2017/18 Resources and Finance Committee cycle.
- ▶ We will provide formal reports to the Resources and Finance Committee throughout our audit process as outlined below. From time to time matters may arise that require immediate communication with the Resources and Finance Committee and we will discuss them with the Resources and Finance Committee Chair as appropriate.
- ▶ Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
Fee letter	April 2017	Fee letter (issued 20 April 2017)
Planning, risk assessment and setting of scopes	November – December 2017	Audit plan (presented to 29 January 2018 committee)
Walk through of processes, and early accounts audit work	February 2018	Interim report (by exception)
Value for money conclusion	March 2018	Interim report (by exception)
Year-end audit	June -July 2018	Audit results report (to those charged with governance) in July 2018. Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of government accounts submission to NAO based on their group audit instructions (deadline still to be confirmed).
Reporting	October 2018	Annual audit letter
Grants reporting	January 2019	Grants Certification report

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