

Audit Progress Report

Allerdale Borough Council
Year ended 31 March 2019

7 June 2019



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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 June 2019

Financial Statements Audit

We issued a detailed Audit Plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements as an agenda item at the 25 February 2019 Audit Committee.

Our interim audit concluded in March 2019. Our interim fieldwork included:

- updating our understanding of the Council's control environment;
- updating our understanding of the Council's significant financial systems;
- reviewing Internal Audit reports on core financial systems;
- early work on emerging accounting issues; and
- early substantive testing.

We report our findings from the interim audit to you on pages 6 and 7 of this report. There are no significant matters arising from the interim work.

We received the 2018/19 financial statements for audit on the statutory deadline date of 31 May 2019.

We are currently working on the financial statements, with the audit team on site from 10 June 2019. The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019.

We will report our work in the Audit Findings Report at the 26 July 2019 Audit Committee.

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 three significant Value for Money risks areas of focus as:

- Financial sustainability
- Major re-procurement of services and
- Workington community stadium project

We are currently carry out our audit work on this.

We will report our work in the Audit Findings Report at the Audit Committee on 26 July 2019 and give our Value For Money Conclusion by 31 July 2019 deadline.

Other areas

Meetings

Since our last update report we have held meetings with the Head of Community Services and other officers as part of our work on the value for money conclusion risk areas.

We also met with finance officers as part of our regular liaison meetings, and continue to be in discussions with finance staff regarding emerging developments.

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. We will also report the findings of our initial value for money risk assessment.	February 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	June 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditor's Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Council responsibilities

In our Audit Plan presented to the Audit Committee on 25 February 2019, we communicated our expectations around the Council's responsibilities for timely production of the draft financial statements supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements or delays in responses to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

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 considered the work of internal audit to date, to help inform our understanding of the Trust's control environment and inform our audit strategy for our accounts and value for money work.</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>
Review of information technology environment	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed 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 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.</p>
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>Detailed testing of journal transactions will be undertaken at the final accounts stage of the audit.</p>	<p>Our work on journal policies and procedures has not identified any weaknesses which impact on our audit approach.</p>
Early substantive testing	<p>We carried out early substantive testing on the following areas:</p> <ul style="list-style-type: none"> • Sample testing of operating expenses for months 1 to 10 • Sample testing of income for months 1 to 10 • Payroll analytical review procedures for months 1 to 9 <p>We will complete the testing for the remaining parts of the financial year at the final accounts stage of the audit.</p>	<p>Our work to date has not highlighted any issues which impact on our audit approach.</p>

