



Draft External Audit Plan

Year ending 31 March 2019

Sandwell Metropolitan Borough Council

March 2019



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Sandwell Metropolitan Borough Authority (MBC) ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Sandwell MBC. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Assurance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Risk Assurance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Accounts	The Authority is required to prepare group financial statements that consolidate the financial information of the Children's' Trust accounts
Significant risks	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none">• The revenue cycle includes fraudulent transactions (rebutted)• Management over-ride of controls• Valuation of property plant and equipment including Investment properties.• Valuation of the Pension Fund net Liability• First time preparation of Group Accounts and accounting for transfer of services to the Children's Trust• Valuation of property plant and equipment including Investment properties. <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	We have determined planning materiality to be £14.6m for the Group and £14.5m for the Authority, which equates to 1.8% of your prior year gross expenditure for the year, adjusted for the expected financial impact of the Children's Trust, based on the £58m contract. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 'Clearly trivial' has been set at £0.725m. We also consider that senior officer remuneration is an area requiring specific attention and have set a lower materiality of £100k
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money will be finalised in January but we anticipate the following VFM significant risks:</p> <ul style="list-style-type: none">• Children's services;• Budget planning
Audit logistics	Our interim visit will take place in February and March and our final visit will take place in May and June. Our key deliverables are this Audit Plan and our Audit Findings Report. The indicative fee set by PAA for the audit is £153,136 (PY: £198,878) for the Authority, subject to the Authority meeting our requirements set out on page 14. First time preparation of group accounts will require us to undertake additional procedures over and above those anticipated when PSAA set an indicative fee. We will confirm the expected additional fee when we have completed our detailed planning in this area.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit

External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Sandwell Council whilst a balanced budget was set for 2018/19, it was identified that £13m of additional savings would be required for the next two years.

Following the announcement of the provisional settlement in December 2018, officers are reporting that the Council continues to face an extremely challenging financial position, with cuts in Central Government funding continuing for another year. A lack of certainty around funding levels from March 2020 is highlighted as making forward planning challenging for the Council, however a balanced position is anticipated for 2019/20 but there is an estimated shortfall of £5.5m for the following two years.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model. It is anticipated that the main area of impact will be in relation to the shares the Council holds in Birmingham airport, currently classified as available for sale.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition. It is not expected that this will have a material impact on the financial statements.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Operational structure change

From 1 April 2018, operational responsibility for children's services transferred to the Sandwell Children's Trust. It was expected that around 450 staff would TUPE'd to the Trust from the Council and the council has a contract for £58.2m for 2018/19. The Council retains responsibility for children's services but the Trust has responsibility for delivering services.

Our response

Financial statements audit

- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- We will consider your processes for consolidating the Children's Trust into your Group Financial statements
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

Value for Money Conclusion

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion. We will consider the Council's arrangements for achieving savings.
- We have identified Children's services as a significant risk to our value for money conclusion. We will consider how the Council is responding to its 'inadequate' Ofsted assessment. In particular we will consider how the Council is developing and managing its new relationship with the Children's Trust.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Sandwell Land and Property Ltd, which is a subsidiary of the council.	No		None	Analytical review performed by Grant Thornton UK LLP.
Sandwell Children's Trust Ltd, which is a wholly owned company of the council.	No		<ul style="list-style-type: none"> • Disclosure- compliance with accounting standards- first time preparation of group accounts • Accounting treatment of Children's trust including consolidating entries. 	Specified audit procedures relating to significant risks of material misstatement of the group financial statements including; <ul style="list-style-type: none"> • Accounting treatment and disclosure of pension guarantees • Consideration of adequacy of disclosures performed by Grant Thornton UK LLP Assurance will be sought from the component Auditor for: <ul style="list-style-type: none"> • Payroll • Operating Expenditure
Sandwell Inspired Partnership Services (associate company) company.	No		None	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified – Revenue and Management

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Group and Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Sandwell Council mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Sandwell Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority and Group faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified – Property, Plant and Equipment (PPE) and Investment Properties

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Property, Plant and Equipment and Investment Properties	<p>The Authority revalues its land and buildings on a rolling five-yearly basis (3 years for Investment properties). This valuation represents a significant estimate by management in the financial statements due to the value (£1.9 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of PPE and Investment properties, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• write to the valuer to confirm the basis on which the valuation was carried out• consider the information and assumptions used by the valuer to assess completeness and consistency with our understanding• test revaluations made during the year to see if they had been input correctly into the authority's asset register• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that these are not materially different to current value at year end.

Significant risks identified - Pensions

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's and the Group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£742 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's and the Group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• update our understanding of the processes and controls put in place by management to ensure that the Authority's and the Group's pension fund net liability is not materially misstated and evaluate the design of the associated controls;• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's and the Group's pension fund valuation;• assess the accuracy and completeness of the information provided by the Authority and its subsidiaries to the actuary to estimate the liability;• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and• agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures.• obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified- Children's Trust

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for the transfer of services to the Children's Trust and first time preparation of group accounts.	<p>From 1 April 2018, much of the responsibility for delivering children's services in Sandwell was transferred to Sandwell Children's Trust. Over 400 staff TUPE transferred to the Trust including their associated net pension liability. The Council has a contract of £58m with the Trust to provide children's services.</p> <p>These agreements gave rise to a number of material accounting transactions in the financial statements for which the economic substance of the transactions needs to be considered.</p> <p>The Authority will prepare group accounts for the first time in 2018/19.</p> <p>We therefore identified the accounting transactions associated with the transfer of services to the Trust as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• review the key agreements to gain an understanding of the arrangements put in place on transfer of services and staff to the company;• discuss with key group personnel, the underlying substance of the transactions and the basis of the Authority's and Group's proposed accounting treatment of the arrangements;• critically assess the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality (based on a proportion of the gross expenditure of the Authority for the 2017/18 financial year) as £14.6m for the Group and £14.5m for the Authority. Materiality at the planning stage of our audit equates to 1.8% of your prior year gross expenditure for the year.

We design our procedures to detect errors in specific accounts at a lower level of materiality, in areas where the balance is regarded as sensitive or of particular interest to the user of the accounts. We have determined this to be £100,000 for senior officer remuneration.

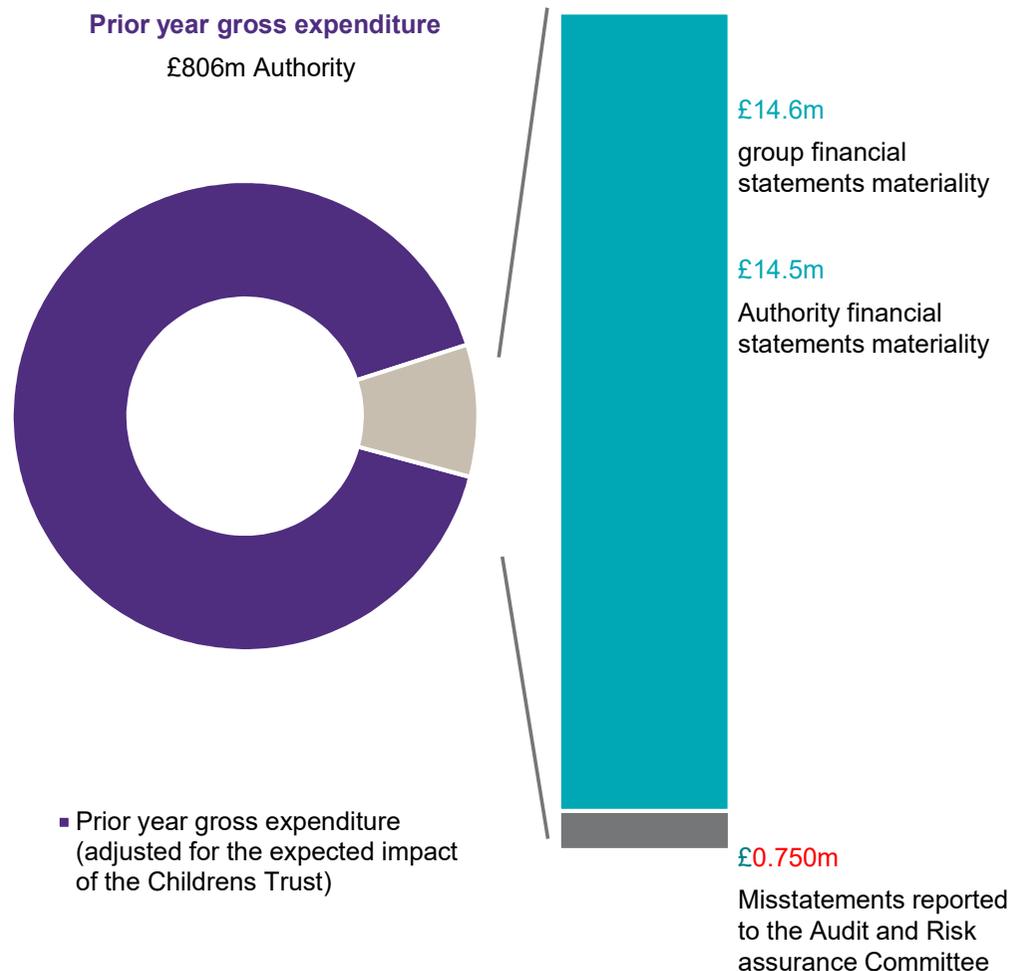
This is the first year that the Council will include the Children's Trust within the consolidated group accounts. We have estimated the impact when setting our planning materiality and will revisit the assumptions when the financial statements are received.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than **£0.750m**.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Assurance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

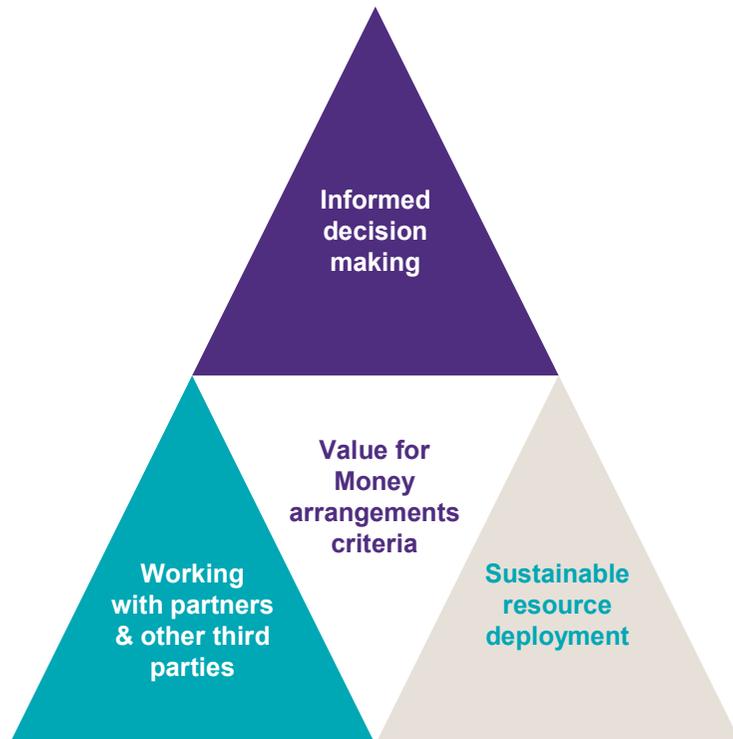
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

We have yet to finalise our value for money planning, but based on our planning to date we anticipate risks in the following areas:



Children's Services

Risk areas:

- Informed decision making
- Sustainable resource deployment
- Working with third parties

OFSTED have rated the provision of Children's Services in Sandwell as inadequate. Following consideration of the findings of Inspectorates, KPMG issued an 'except for' value for money conclusion for in this area in 2017/18. The Council has responded to recommendations by setting up a Children's Trust from 1st April 2018. However children's services retain an inadequate assessment and this presents a significant value for money risk.

We will consider how the Council is responding to the inadequate inspection assessment, in particular how the Council is establishing its commissioning arrangements with the Children's Trust.



Budget planning

Risk areas:

- Informed decision making
- Sustainable resource deployment
- Working with third parties

The sector faces continuing financial pressures due to the reductions in central government grants. Council approved a balanced budget for 2018/19. Following the provisional settlement in December 2018, a balanced position is anticipated until 2020 when additional pressures of £5.5m are anticipated for the following two years. Due to the continuing pressures and uncertainties in the sector we consider that this is a significant risk. We will consider your arrangements for managing and reporting your financial resources and the Council's arrangements for achieving savings.

Audit logistics, team & fees



Mark stocks Partner

Mark will lead the audit. He has overall responsibility for the audit and will sign the opinion on the accounts and the value for money conclusion.



Zoe Thomas, Audit Manager

Zoe will take responsibility for planning and delivering the audit and ensuring that the work is completed to appropriate quality standards and in line with the agreed timetable.



Michael Butler, Audit Incharge

Michael will have day to day responsibility for delivering the audit. He will be the key contact during the audit visits and will deal with queries as they arise.

Audit fees

The scale fees for the audit published by PSAA are £153,136 for the financial statements audit completed under the Code. This fee, assumes that the scope of the audit, and the Authority and its activities, do not significantly change.

With the establishment of the Children’s Trust from 1 April 2018 and from discussions with officers, we know that the Council will be preparing group accounts for the first time this year. There will be a number of audit considerations as a consequence and we know there will be additional disclosures within the accounts. We have yet to fully complete our planning in this area and will report to the Committee the anticipated fee for this work, in the final version of the plan.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. We have recently been appointed as the auditor of the Children's Trust, a subsidiary of the Council

Service	£	Threats	Safeguards
Audit related			
Certification of Housing subsidy grant	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £153,136 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Audit of the accounts of he Children's Trust	£23,000	Self-Interest (because this is a recurring fee) Self-Review	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £23,000 in comparison to the total fee for the audit of £153,136 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. Grant Thornton involvement with the Children's Trust is limited to audit. No advisory work will be undertaken. A separate Engagement Manager and Lead for both audits
Non-audit related			None expected to be supplied

The amounts detailed are fees yet to be agreed for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Assurance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Independence & non-audit services

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor.

No recent work has been undertaken at the Council and there are therefore no independence matters to bring to the Council's attention.

Appendices

A. Audit approach

B. Early Close

A. Audit approach

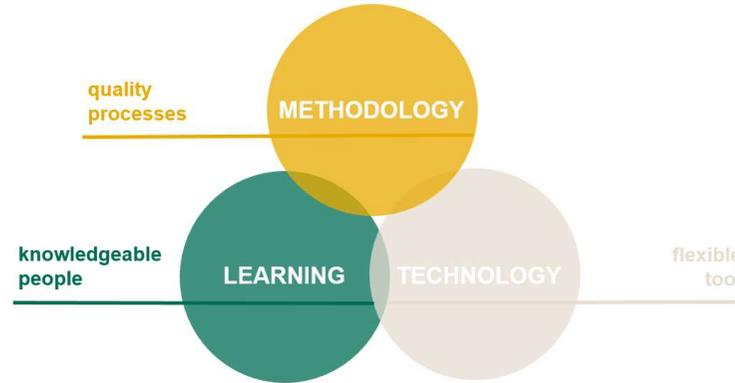
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

B. Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

In 2017/18 the opinion on the accounts was not issued until 20 November 2018, almost four months after the statutory date. The certificate has yet to be issued

To have the best chance of achieving the statutory deadline this year, we have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.



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