



External Audit 2016/17 Update Report

**Northampton
Borough Council**

November 2018

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Overview and summary

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

The Authority has worked hard to reduce the number of outstanding queries and resolve risk areas. However, due to the delays in receiving this information against previously agreed timelines, we are not yet in a position to finalise our work and issue our audit opinion.

We expect to finalise our work over the next month with a view to issuing our updated ISA260 in January 2019 and issuing our audit opinion.

Summary for Audit Committee

Since the last Audit Committee we have continued our work in respect of the audit of the 2016/17 financial statements.

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Financial statements

Accounts production process and audit completion

At the time of our last update, we reported there were a significant number of outstanding queries which needed to be resolved in order for our 2016/17 audit to progress. Work was on-going on those matters and it was expected that we would receive all the information we required to perform our final testing by the end of September 2018.

At this point, we had jointly agreed with the Authority to postpone the audit of the 2017/18 financial statements due to the on-going 2016/17 delays, and the revised plan was for the 2017/18 audit to take place in October 2018.

However, following delays, it was agreed that we would utilise this 2017/18 audit resource to complete the audit work on the 2016/17 audit instead.

Unfortunately, the Authority did not deliver the remaining outstanding items in line with the agreed revised timetable. As a result of this, the resource we had booked for the first two weeks in October to close off these queries, was unable to be utilised to its full extent.

Whilst the audit team have been working evenings and weekends to pick-up the remaining information as soon as it has come through, the significant further delays have had a knock-on effect to the completion of our work.

Fixed Asset Valuations – Council Dwellings: As previously reported, the Authority was undertaking actions to correct the valuation of council dwellings due to the errors, including use of an incorrect methodology, which had resulted in materially incorrect valuations. Following finalisation of the valuations, the Authority needed to correct these in their RAM (Real Asset Management) System.

Due to the nature of the system, we were informed that significant work was required by a technical specialist to put these changes through the system and update it in line with current software versions. This work was commissioned on 2 August 2018 with the expectation it would take a few weeks to complete. The work took longer than expected and was only completed during September 2018. This has had a knock-on effect on our ability to close off this area from an audit perspective.

As a result of the updates to the system, we have had to undertake further testing on RAM in order to provide assurance over the reports it generates which are used for the production of the financial statements.

We have now received the final information and answers to our queries and this work is complete, subject to our review process.

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Fixed Asset Valuations – General: We have now received the final information required with regards to this audit area, and our work is on-going and will be subject to our internal review processes.

Mapping of the Trial Balance: As previously reported, following meeting with the Authority's officers on 12 July 2018, it was agreed that a revised version of the 2016/17 trial balance mapping document would be produced for audit purposes. This was finally provided to us w/c 29 October 2018.

Our work is on-going and will be subject to our internal review processes.

Draft Accounts: In October, we were provided with a revised set of accounts following their adjustment for all the previously identified audit adjustments, most especially those relating to the valuation of council dwellings.

We reviewed this set of accounts and provided feedback to the Authority in respect of its internal consistency, casting, and updated notes.

We are awaiting a revised version of the 2016/17 accounts, and will perform similar checks on this prior to concluding our work. This will complete the work in this area, subject to our review processes.

Accounts Reconciliation: As reported previously, an essential part of the completion of the accounts is a reconciliation between the draft version of the financial statements (presented to Audit Committee in June 2017) and the final version to be presented to Audit Committee for approval.

We received a version of this reconciliation during the week of 29 October 2018, however, this was not sufficient for our audit purposes as it did not provide the level of detail we had previously requested. We are awaiting a final version of this document to resolve this outstanding item.

As such, our audit work is on-going in this area and will be subject to our internal review processes.

Working Papers: There are various other working papers which were required from the Authority to be updated due to the changes to the financial statements following agreement of audit adjustments. Whilst relatively minor in the scheme of things, they are nevertheless critical evidence required for our audit to allow us to complete our procedures and be in a position to sign our audit opinion.

We did receive a number of these through the week of 29 October 2018, and are working through this. Our work is on-going in this area and will also be subject to our internal review processes.

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Audit Completion: As noted above, in agreement with the Authority, we had allocated additional resource for the first two weeks of October 2018 in order to complete the testing required and finalise the audit.

Unfortunately due to the non-delivery of the key remaining items during this period, this has had a knock-on effect on the expected timeline for completion, as the audit team also have other commitments.

We had previously agreed with the Authority that we would not indefinitely hold resource for use on the 2016/17 audit, as this would incur additional significant costs for the audit which would be unavoidable if we did that.

However, due to these delays (for example, the accounts reconciliation document is still outstanding at the date of this report), this has impacted the audit completion timetable.

Whilst members of our audit team have been working evenings and weekends in an effort to mitigate the delays in provision of information, this can only get us so far when many of the key outstanding items were only delivered during the week of 29 October 2018.

Should we receive everything we still need, and there are timely responses to our queries, then we expect that our final audit work on the accounts will be completed during the first few weeks of December 2018.

On completion of our audit work and the full and satisfactory resolution of any audit queries, we anticipate that we should be able to produce our revised 2016/17 ISA260 report, and we will also be able to then commence our final internal review processes.

Due to the high risk nature of the audit, these processes will take a minimum of four weeks. Once all this is complete, we will then be in a position to issue our 2016/17 audit opinion and complete the audit.

As a result of the Christmas holidays, it is expected that this will take place in mid-late January 2019.



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