

Redditch District Council Audit Progress Report and Sector Update

September 2023



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Introduction

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

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Progress at September 2023

Financial statements audit

At the May 2023 Audit, Governance and Standards Committee we summarised the issues that we and the current finance team have faced to date in respect of the 2020/21 financial statements and the transfer of data from the legacy financial ledger system, eFinancials, to the new TechnologyOne system that was undertaken in February 2021.

Since that meeting we have continued to face challenges in obtaining sufficient, appropriate evidence to support the data transfer and to allow us to begin our 2020/21 financial statements audit. In July 2023 we met with key members of the finance team, ICT and the project manager involved in the ERP implementation. This was helpful in advancing the understanding of the processes involved and the information available to us. TechnologyOne representatives were invited but did not attend.

Subsequent to that meeting, colleagues from our Digital Audit team have reviewed reports run from the legacy eFinancials system, confirming that the SQL script applied was appropriate to deliver the data expected. They have then compiled that data made available to us to date – namely periods 1 to 11 of the 2020/21 financial year. The Council is currently unable to provide us with data included in period 0, and therefore we cannot undertake any work on the balance sheet entries as these transactions are critical to allowing us to understand the balance sheet position. The Council continue to attempt to reinstate their business objects licence in order to run a period 0 report and export it to excel, as the SQL script is returning nil entries.

Alongside the work to progress our audit of the data transfer, we agreed that financial statement audit team colleagues would undertake work on specific areas of the 2020/21 financial statements for two weeks from 14 August 2023, including the defined benefit pension liability, payroll, senior officer remuneration and housing benefit expenditure. We agreed that supporting working papers would be made available to us by this date in order to facilitate this work. On 15 August 2023, we confirmed that we would be redirecting the audit team to other work as insufficient working papers had been provided to us, and those that had were not of the expected quality.

We had planned to return to the financial statements audit in October 2023, with this running through to February 2024. The time that was reallocated would need to be added to this plan, extending the date of the potential 2020/21 audit opinion further into 2024.

Value for Money

Colleagues in our Value for Money team have begun our work, and we will be reporting our commentary on arrangements for the 2021/22 and 2022/23 financial years in a Joint Auditors Annual Report. We expect to report in this calendar year. Our interim Auditors Annual Report for 2020/21, issued in October 2022, reported a significant weakness in arrangements that had come to our attention for 2021/22 in respect of a lack of timely and relevant financial monitoring reporting.

Progress at September 2023

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). We submitted our report to the DWP 4 September 2023. We did not report any significant issues within the report and an amended claim form was submitted alongside our report.

Audit Fees

We have previously discussed the fee impact of the delays in financial reporting, our VFM findings for 2020/21 and the related written recommendations under section 24 of the Local Audit and Accountability Act 2014, and the likely challenges of auditing transactions processed in the new system with management and the Audit, Governance and Standards Committee. The fee we originally proposed in our Audit Plan for 2020/21 in April 2022 was £71,292. The final proposed fee will need to be agreed following the completion of any audit, however in May 2023 we confirmed to the Committee that given the work already performed to date this could exceed £100k.

Any proposed fee variations must first be discussed with management before consideration by Public Sector Audit Appointments Limited (PSAA). We have agreed with officers that we will seek an interim fee variation via PSAA. We will first agree this with the Director of Resources, before reporting this to the Committee as those charged with governance and submitted to PSAA for their consideration.

Audit Deliverables

2020-21 deliverables	Proposed date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit, Standards and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020-21 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	April 2022	Completed
<p>Interim Audit Findings</p> <p>We will report to you the findings from our audit work to date within our Progress Report.</p>	May 2023	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit, Standards and Governance Committee.</p>	November 2023	Delayed - 2024
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2023	Delayed - 2024
<p>Interim Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	November 2023	In progress
2021-22 and 2022-23 audit-related deliverables	Proposed date	Status
<p>Housing Benefit Subsidy – certification for 2021-22</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. The detailed testing of the Authority's workbooks has been completed. The remaining tasks left to complete include the completion of the Module 2 checklist, and the drafting of the HBAP report. All work is subject to quality review.</p>	July 2023	Complete
<p>Housing Benefit Subsidy – certification for 2022-23</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. We have been provided with the Authority's subsidy claim form from which we have selected initial samples. The Authority's Housing Benefit team is currently undertaking the detailed work for these samples.</p>	November 2023	Not yet due



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