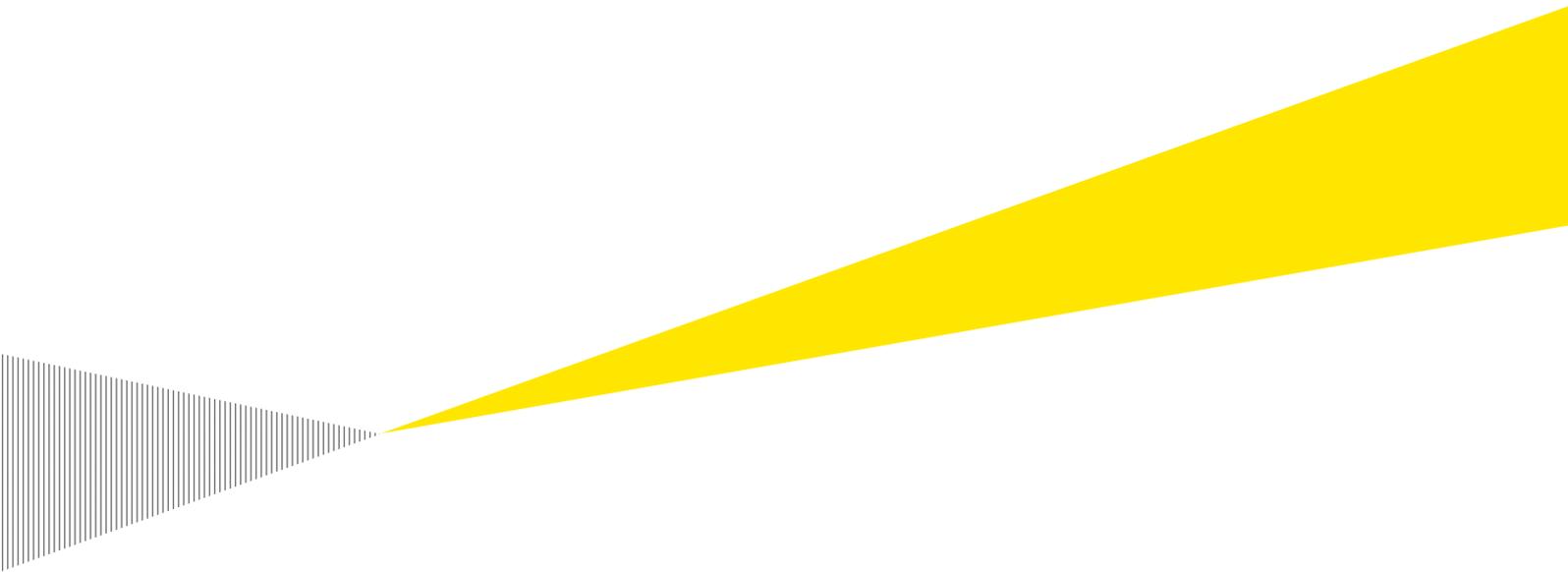


# Three Rivers District Council

Year ending 31 March 2017

Audit Progress Report

26 June 2017



Building a better  
working world

Audit Committee  
Three Rivers District Council  
Three Rivers House,  
Northway,  
Rickmansworth  
Herts  
WD3 1RL

26 June 2017

Dear Audit Committee members

## Audit Progress Report – 2016/17

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2016/17 audit and ensure our audit is aligned with the Committee's service expectations.

We are completing our audit in accordance with the requirements of the Local Audit and Accountability Act 2014; the National Audit Office's 2015 Code of Audit Practice; the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd the requirements of auditing standards and other professional requirements.

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

Andrew Brittain  
Executive Director  
For and behalf of Ernst & Young LLP  
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# Contents

Work completed.....	<b>3</b>
Timetable .....	<b>5</b>

# Work completed

## Audit Plan

We presented our 2016/17 Audit Plan to the Audit Committee on 28 March 2017. We explained then that we would keep the plan under review and will inform you of any changes to our risk assessments and planned work.

## Status of our 2016/17 audit work

Since the last Audit Committee on 28 March 2017, our audit work has progressed and we continue to have regular meetings with officers and staff as part of our ongoing audit process.

These have proved beneficial as we have confirmed our understanding of the financial processes, discussed a number of areas of the statements and completed audit testing as outlined below.

This is an accelerated programme of testing to ensure that we meet the requirements of the faster close arrangements which are due to take effect in 2017/18 and therefore with the Council we have committed to undertaking as much early work as possible in 2016/17.

We would like to thank officers for their support with this work, which has meant that we are better progressed with the audit than we were at this point for the 2015/16 audit year.

### *Financial statement significant risks*

We have reviewed our assessment of the financial statement risks facing the Council. Based on our planning and interim work, we have not identified any changes to the risks identified in our audit plan:

Risk Name	Type of Risk
Risk of Fraud in Revenue Recognition	Significant Risk
Risk of Management override	Significant Risk
Business Rates provision	Significant Risk
Financial Statements Presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement	Other financial statement Risk
<p>Property Valuations</p> <p>As noted in the audit plan, this is an area of judgement. Due to the significance of the balance and the estimation uncertainty, this will be a key area of audit focus.</p> <p>We will review the work of your valuers, and if necessary, use EY valuations experts to support our work in this area.</p>	Higher Risk Estimate

<p><b>Pension Liability</b></p> <p>This was also highlighted in the audit plan as an area of judgement. Pension liabilities are subject to significant fluctuations due to small changes in assumptions. Due to the significance of the balance and the estimation uncertainty, this will be a key area of audit focus.</p> <p>We will review the work of your actuary, obtain assurance from the auditor of your pension fund, and use EY actuaries to support our work in this area.</p>	<p><b>Higher Risk Estimate</b></p>
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*Early substantive testing*

With the help of your finance team we have managed to complete a significant amount of early testing prior to receiving the draft statements to audit:

- Fixed assets additions and disposals testing
- Months 1-9 income testing
- Months 1-9 Expenditure testing
- Months 1-9 Journals testing
- Testing of precepts
- Agreement of Housing Benefits 2016/17 parameters
- Substantive analytical reviews of Housing Benefit, Council Tax and Business rates
- Verification of existence of fixed assets

Where we have completed month 9 testing of key accounts such as income and expenditure we will perform top-up testing of these accounts at year end. This will reduce the time required to complete this work at year end.

To ensure a smooth delivery of the year end we will continue to have regular meetings with key officers as part of our ongoing audit process.

At the timing of writing our interim reviews have not identified any issues we wish to bring to your attention.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2016/17 Audit Committee cycle.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2016	May 2016	Audit Fee Letter
Risk assessment and setting of scopes	December 2016	March 2017	Audit Plan
Testing routine processes and controls, Early substantive testing	January 2017 and April 2017	July 2017	Progress Report
Year-end audit	July - August 2017		
Completion of audit	August 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and our value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	September 2017	September 2017	Annual Audit Letter

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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