

Isle of Wight Council and Isle of Wight Pension Fund

Audit Committee Progress Report

September 2020



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Audit Progress Report

We are pleased to attach our Audit Progress Report.

Its purpose is to provide the Audit Committee with an overview of the progress of our 2019/20 audits, as well as to ensure our audit is aligned with the Committee's service expectations.

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 audits.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helen Thompson'.

Helen Thompson
Associate Partner
For and behalf of Ernst & Young LLP

Progress on 2019/20 audits

Our 2019/20 audits are well progressed. Below, we provide a summary of the main areas which remain outstanding at mid-September 2020 and an explanation for the currently expected reporting timescales for the audits. As a reminder, the Accounts and Audit Regulations have been amended for 2019/20, and the date by which councils are expected to publish their financial statements for the year is 30 November 2020.

Explanation for reporting timescales

Under the Local Audit and Accountability Act 2014, and Accounts and Audit Regulations 2015 (as subsequently amended), local electors have certain rights with regard to the financial statements of the Council, which can be exercised within a stipulated 30 working-day period following the publication of the draft financial statements for the year. Please see <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Council-accounts-a-guide-to-your-rights.pdf> for further information on these rights.

During this period for 2019/20, we received two separate objections (each in multiple parts) from local electors, and a further fourteen emails from other electors in support of these objections. They pertain to the accounts of Newport Harbour which, whilst compiled separately, are also included within the transactions and balances summarised in the Council's main financial statements.

We are required to consider and respond appropriately to these objections – a detailed, step-by-step process which takes time to complete. We are currently undertaking our initial review of the objections, and therefore remain at a relatively early stage in this process. We do not anticipate having completed this initial review until late September at the earliest.

We need to undertake sufficient work with regard to the objections to understand whether a material adjustment could arise to the Council's financial statements before we are able to issue our audit results report, opinion and value for money conclusion for the Council for 2019/20. If this cannot be done by 30 November 2020, we will discuss the impact of this for both the Council and the Pension Fund with the Director of Finance and Chair of the Audit Committee as soon as possible.

We intend to present our audit results reports, setting out the work completed in relation to the risks identified in our audit planning reports, for the Council and the Pension Fund to the November 2020 Audit Committee.

Isle of Wight Council – key outstanding areas

The below list sets out the key areas which remain ongoing (it is not exhaustive). Work in these areas is largely well progressed; we have briefly summarised the main outstanding elements in each case.

- Completion of payroll testing – working with officers in the payroll department to obtain the reports/information needed to conclude our work in this area
- Completion of pensions testing – awaiting report from the pension fund auditor (see pension fund audit update below), and resolution of some technical matters

- Completion of work on valuation of land & buildings and investment property – awaiting information from the Council’s valuers in response to queries raised by our internal valuations specialists, and completion of testing being performed by the local audit team (which will be informed by the specialist’s work)
- Completion of residual work on income, borrowings and disclosures
- Review of Council’s going concern assessment – provided by officers, review by audit team is in progress
- Internal consultation on form of our audit opinion (mandated risk management process, which links to going concern and valuations above) – will be commenced when timing of our audit opinion becomes clearer
- Completion of general audit procedures and concluding procedures – awaiting year-end letter from management for some general audit procedures; concluding procedures to be completed when majority of above areas are cleared.
- Completion of internal review processes – ongoing process throughout the audit.

Isle of Wight Pension Fund – audit status update

We have substantially completed the audit of the Pension Fund’s financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of our wrap up procedures, and following the conclusion of the audit of Isle of Wight Council, we expect to issue an unqualified opinion on the Isle of Wight Pension Fund’s financial statements.

In addition to the audit of the Pension Fund financial statements we issue a consistency opinion between the audited financial statements and the Pension Fund Annual report. We are due to complete this consistency check in October 2020.

We also perform ‘agreed upon procedures’ on behalf of the Isle of Wight Council audit team who instruct us to perform testing over the completeness and accuracy of the data sent from the Pension Fund to the Council’s actuary. We have completed the majority of the agreed upon procedures, with only a sample of membership data outstanding at the time of this report.

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