Audit Progress Report and Sector Update

Warwick District Council
Year ending 31 March 2020

9 August 2020

Contents

Introduction

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This paper provides the Finance and Audit Scrutiny Committee with a report on progress as at 6 August 2020 in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Finance and Audit Scrutiny Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact Grant Patterson or Mary Wren.

Headlines

Covid 19	The Covid-19 pandemic occurred prior to the start of the year end audit of the financial statements. In response to this a plan addendum was presented to the Finance and Audit Scrutiny Committee (virtual meeting) on 27 May 2020 which reported a financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices and your audit team are have been working from home since this date. Although there are some audit tasks which are best undertaken in person, we have been able to carry out appropriate audit procedures remotely. Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to a new way of working , for example; remote accessing financial systems via screen sharing , video calling, physical verification of assets and additional procedures to validate the completeness and accuracy of information produced by the entity (IPE). Due to remote working and methods of reviewing source reports (for example screensharing) certain audit procedures have longer than prior years. We would like to extend out thanks to the Finance team for their continued support during a time where they are facing additional pressures to support the local community the council serves, for example the payment of business rate grants. We continue to work closely with your finance team to make this different way of working as efficient as possible for the remainder of the 2019/20 audit but also consider how we can all take the positive experiences from this period of remote working and integrate into our working arrangements going forward.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. **Financial accounts and supporting systems** The 2019/20 final accounts visit audit began on 15 June 2020 and as stated above our work has been completed remotely in light of the Covid 19 pandemic. Upon review of the draft financial statements a number of small amendments were identified by the Finance team which were corrected prior to the audit team receiving the financial statements on 18 June 2020. Remote working has highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports. We estimate that combined with the impact of remote working this has extended the audit process by 2 weeks. The finance team are aware of the limitations with the current finance system and have recently been through a detailed procurement process to identify a replacement finance package. We understand the Council have now made a decision in relation to the new finance system which is due for implementation in 2020/21. **Significant risks** Our audit plan and plan addendum reported on 27 May 2020 identified the following risks which required specific audit procedures. • Covid-19 • The Revenue cycle includes fraudulent transactions (rebutted) • Management over-ride of controls • Valuation of Property, Plant and Equipment (PPE) • Valuation of the pension fund net liability Pages 6 to 8 detail the progress made as at 6 August against these significant risks. There are no significant issues we need to draw to your attention at this time. **Sample testing** In order to gain assurance over certain balances within the financial statements, as part of audit procedures we select a sample of items for detailed review. Pag 9 summarise the progress made as at 6 August in relation to sample testing. There are no significant issues we need to draw to your attention at this time.

Headlines (continued)

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have updated our risk based review of the Council's value for money arrangements and have not identified any additional risks in relation to Value for Money in addition to the financial sustainability risk included in the Audit Plan. Our audit work remains in progress.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	 • At this time we have not had to apply any of our additional powers and duties. • Our audit work remains in progress.

Our approach to 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.

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,200,000	• Materiality determined equates to approximately 1.4% of the Authority's cost of services expenditure
Performance materiality	840,000	• This is determined by applying 70% to headline materiality. The Council is continuing to improve it's closedown arrangements and there were no material amendments to the prior year's financial statements.
Trivial matters	60,000	• This is determined by applying 5% to headline materiality
Materiality for Senior Officer Remuneration	25,000	• We believe these disclosures are of specific interest to the reader of the accounts. We consider that using an absolute materiality value is appropriate, rather than applying a % of any other benchmark, because the magnitude of the disclosures does not vary greatly with the size of the organisation or any similar factors.

Acknowledgements

We would like to take this opportunity to record our appreciation for the on-going assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Progress against significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Progress as at 6th August 2020
Covid-19	The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our audit approach • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivables balances; Our work in relation to the Covid-19 risk is not yet complete. We need to complete the following procedures: • evaluate the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic, and • evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.
The Revenue cycle includes fraudulent transactions	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.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • 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 Warwick District Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Warwick District Council.

Progress against significant risks (continued)

Risk	Reason for risk identification	Progress as at 6th August 2020
Management over-ride of controls	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. 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.	We have • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence No issues have been identified in relation to our work completed so far. Our testing in relation to journals is not yet complete. We need to complete the following procedures in order to gain assurance over this risk: • 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.
Valuation of PPE	The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£483m in the Authority's balance sheet at 31 March 2020) 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) at the financial statements date, where a rolling programme is used. As part of the 2018/19 audit we made recommendations regarding the specific instructions issued to the valuer. We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register and accounted for correctly. No issues have been identified in relation to our work completed so far. Our testing in relation to the valuation of property, plant and equipment is not yet complete. We need to complete the following procedures in order to gain assurance over this risk: • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Progress against significant risks (continued)

Risk	Reason for risk identification	Progress as at 6th August 2020
Valuation of the pension fund net liability	The Authority'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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40.9 million in the Authority's balance sheet at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested 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; No issues have been identified in relation to our work completed so far. Our testing in relation to the valuation of he pension fund net liability is not yet complete. We need to complete the following procedures in order to gain assurance over this risk: • 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 • obtain assurances from the auditor of Warwickshire 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. • obtain understanding and assurance over the significant experience valuation movements observed in 2019/20 • with the publication of MHCLG's consultation on the proposed remedy in relation to McCloud consider management's consideration of the potential impact of this upon the current estimate alongside that for GMP.

Sample testing progress

Area tested	Description	Assessment of Progress
Operating expenditure	As per the financial statements note 7, operating expenditure totals £53,917k We have selected a total of 43 items for testing and have received sufficient evidence to support the 43 sample items. No errors have been identified from our testing.	Green - 75% - 100% complete
Grant revenues	As per the financial statements note 33, grant revenue totals £40,415k. We have selected a total of 12 items for testing and have received sufficient evidence to support the 12 sample items . No errors have been identified from our testing.	Green - 75% - 100% complete
Other revenues	As per the financial statements note 7, other revenue totals £42,060k. We have selected a total of 22 items for testing and have received evidence to support 16 sample items. Therefore we are still awaiting further support for 6 items and need to review the support received to date and conclude on our testing. No errors have been identified in the testing completed so far.	Amber - 50% -75% complete
PPE Additions	As per the financial statements note 13, additions total £22,807k. We have selected a total of 29 items for testing and have received evidence to support the 29 sample items. However we still need to review this support and conclude on our testing. No errors have been identified in the testing completed so far.	Amber - 50% -75% complete
REFCUS	As per the financial statements note 35, REFCUS totals £5,579k. We have selected a total of 5 items for testing and have received evidence to support the 5 sample items. However we still need to review this support and conclude on our testing. No errors have been identified in the testing completed so far.	Green - 75% - 100% complete
Journals	As per the breakdown of manual journals obtained, we have selected a total of 25 journals (167 transaction lines) for testing and have received evidence to support all 25 journals. However we still need to review this support and conclude on our testing. No errors have been identified in the testing completed so far.	Green - 75% - 100% complete
Receivables	As per the financial statements note 18, receivables total £6,365k. We have selected a total of 26 items for testing and have received sufficient evidence to support 14 sample items. Therefore we are still awaiting further support for 12 items in order to conclude on our testing. No errors have been identified in the testing completed so far.	Amber - 50% -75% complete
Payables	As per the financial statements note 21, payables total £14,090k. We have selected a total of 26 items for testing and have received evidence to support all 26 sample items. However we still need to review this support and conclude on our testing. No errors have been identified in the testing completed so far.	Amber - 50% -75% complete
Operating Expenditure (Completeness)	As per the breakdown of payments made from April 2020 to July 2020, we have selected a total of 30 items for testing and have received evidence to support all 30 sample items. However we still need to review this support and conclude on our testing. No errors have been identified in the testing completed so far.	Amber 50% -75% complete

Going Concern

Our responsibility

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 entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process	**Auditor commentary** Going Concern is defined as “the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.’ The Authority’s financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. The Council budgets more than a year in advance and undertakes frequent spending reviews where budgets are adjusted where required.
Work performed	**Auditor commentary** We have reviewed the budgetary processes in place and would note the following: • We are satisfied from our review of the Council’s reserves balance that it has sufficiency of usable reserves (e general fund and earmarked reserves) to support its finances should its savings plans not be delivered, but clearly reserves can only be used once. • The Council is rightly concerned that there are a number of unknowns in its funding, especially with regard to the Business Rates Reset. However, in and of itself, this is not considered to cast significant doubt on the Council’s ability to continue as a going concern.
Further work required	The Council is in the process of updating its Medium Term financial plan in light of Covid 19 – we are aware that this is a situation which is changing regularly as funding announcements are being made . We will review the updated MTFP when this becomes available.
Concluding comments	Our work in this area is not yet complete however we have not identified any issues at this time that would lead us to challenge the Council’s conclusion that the going concern assumption is appropriate.

Value for Money - Progress

Significant risk identified as part of audit planning	Progress update 6 August 2020

1

Financial sustainability

When Members approved the 2019/20 Budget in February 2019, the Medium term Financial Strategy showed that that the Council would be in deficit by £574,000 by 2023/24.

A number of changes have been made largely resulting from re-profiling of savings and the Council is now showing a projected increase in the recurring deficit of £1.868m by 2023/24. In the short term it is proposed to use the Business Rate Retention Volatility Reserve (BRRVR) to help smooth the savings needed to be secured.

This will eliminate the projected deficits in 2020/21 and 2021/22 and has enabled the Council to agree a balanced Budget for 2020/21. However, recurrent savings of £522k will be required in 2022/23 and additional recurrent savings of £1,346k in 2023/24.

The Council acknowledged that by using the BRRVR it has effectively bought itself some time to get new initiatives in place but that it now needs to develop strategies for balancing its budget over the medium to long term to create a sustainable platform to deliver services.

Our value for money risk assessment remains in progress. However, given the in-year challenges and those anticipated looking forward we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains. We will review the Council's arrangements for identifying and agreeing savings plans to ensure that it remains resilient to the increasing financial challenges of coming years. We will keep the Finance and Audit Scrutiny Committee updated with our assessment.

Progress update 6 August 2020

In light of Covid-19 we have carried out a review of the updated financial information being produced by the council. Covid-19 has had a significant impact on all sectors. In particular Council's have faced challenges in relation to lost income , examples include parking and leisure income.

The Councils Medium term Financial Strategy was last formally reported to members in February 2020 as part of the 2020/21 Budget setting process. At that stage the profile of savings to be found was as follows:-

2020/21 – £0

2021/22 – £0

2022/23 - £522k

2023/24 - £1,868k

2024/25 - £1,762k

This profile of savings from 2020/21 to 2024/25 includes a net contribution of £6,245 from the Business Rates Volatility reserve to support the General Fund.

An informal update to the MTFS was completed at June 2020 and was presented by Finance to the Executive on 22/6/2020. A summary table is include below which shows the impact of lost income, additional cost pressures but also government funding received in relation to the Covid -19 pandemic.

Financial year	Savings required - February 2020 MTFP	Savings required updated June 2020	Movement
	000's	000's	
2020/21	0	3,503	-3,503
2021/22	0	3,515	-3,515
2022/23	522	2,581	-2,059
2023/24	1,868	4,044	-2,176
2024/25	1,762	3,943	-2,181
	4,152	**17,586**	**-13,434**

Source: Informal June Update of MTFS

We are aware that the Finance team are currently updating the formal MTFP which will be reported to Finance and Audit Scrutiny on 19 August. We will focus the remainder of out work on this update.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan (and addendum) We are required to issue a detailed audit plan to the Finance and Audit Scrutiny Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements. Plan addendum	May 2020.	Complete
Audit Progress and Sector Updates We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	August 2020	Complete
Audit Findings Report The Audit Findings Report will be reported to the September Finance and Audit Scrutiny Committee.	September 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Finance and Audit Scrutiny Committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

We shared the report with your officers and discussed relevant issues with them in a timely manner.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Nondomestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The full report can be obtained from the Grant Thornton website:

https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf

Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that "aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government's response to COVID-19."

The NAO report notes "Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for."

The NAO comment "This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

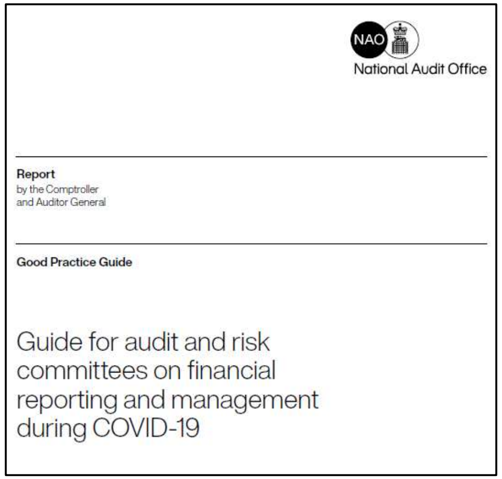
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period."

The full report can be obtained from the NAO website:

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/


NAO
National Audit Office

Report
by the Comptroller and Auditor General

Good Practice Guide

Guide for audit and risk committees on financial reporting and management during COVID-19

Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

• **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

• **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers form the service sectors who are very likely to lose their jobs because of the pandemic.

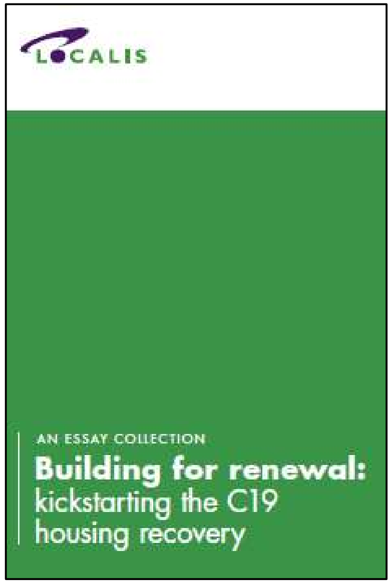
• **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

• **Building on existing initiatives to improve security of tenure and quality of accommodation**, a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

• Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/

Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into placed-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

• Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.

• In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.

• Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnesses sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

• Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places –and focus investment decisions on closing that gap and levelling up local economies.

• The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.

• Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.

• Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

• The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/

CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

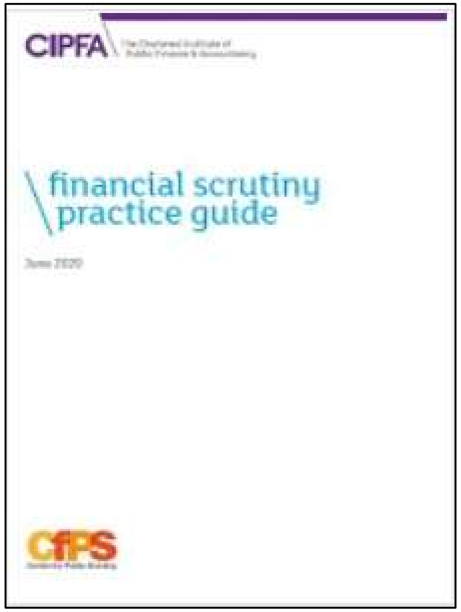
For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny ‘events’ in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities’ formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA’s thinking on scrutiny’s role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA’s website:

https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide

Item 4 / Page 22

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report "draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams".

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that "PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme".

The full report can be obtained from the PSAA website:

https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf

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