

Audit Progress Report and Sector Update

Cotswold District Council
Year ending 31 March 2021

October 2021



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Introduction



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This paper provides the Audit Committee with a report on progress 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.

Members of the Audit 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 either your Engagement Lead or Engagement Manager.

Progress at October 2021

Financial Statements Audit

We presented our 2020/21 audit plan to the Audit Committee in April 2021. This set out our proposed approach to the audit of the Council's 2020/21 financial statements.

The significant risks we identified within the plan was as follows:

- Management override of controls;
- Valuation of land and buildings;
- Valuation of investment properties; and
- Valuation of net pension fund liability.

In presenting the plan we noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts (two months earlier than in 2019/20).

Given the system-wide pressures set out in our audit plan, we indicated that delivery against this target would be a significant challenge across the sector.

We selected a sub-set of our LG councils, where we felt we had the greatest chance of completing the audit by 30 September 2021 to prioritise, and this included Cotswold District Council.

Progress as at 11 October 2021

Our audits of the Council's 2020/21 financial statements commenced in July.

Since then progress has been slower than we would have hoped. This has been due to a number of factors, most notably resourcing challenges.

This, combined with the challenges of working in a remote environment, the increased volume of work that we need to do to be able to issue a safe opinion, and the additional scrutiny we are under from our regulator has resulted in us needing to revise our completion timetable.

It is important to stress that we have had good co-operation from the Council's finance officers. Both teams have worked hard to deliver to the original timeline but we recognise that on this occasion it proved too much.

From our work undertaken to date, we have not identified any significant or material issues impacting on the accuracy of draft financial statements presented for audit, however, this is subject to the usual caveat that we need to complete the remainder of our work.

From a context point of view, we want to assure you that you are not alone in being in this position, with the national picture being such that a significant proportion of local government audits have not meet the deadline of the end of September, and we are aware that some firms are not even starting their LG audits until the beginning of October. The delays nationally reflect the late start on many 2020/21 audits due to overrunning 2019/20 audits.

Progress at 14 September 2021

Way forward

Although it is disappointing that we have not been able to achieve the early September completion. We are not too far behind our original schedule.

We are keen to get the opinion audit complete as soon as is practical, but want to work out a robust resource plan from our side to make sure we can deliver to the agreed revised timescale. We anticipate that this would mean we are working to a target timeline of the middle of November with an Audit Committee to be rearranged after this to receive our audit findings report ahead of adoption of the accounts and us issuing our opinion. We are currently working through the exact resourcing details and will communicate this to your finance team once we have more exact dates.

As a team we are committed to completing this audit as soon as practically possible. The timeline above reflects some leave that our team have booked off in early October.

We would like to put on record our appreciation for the continued support from officers at the Council.

Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improving economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria (i.e. financial sustainability, governance and improving economy, efficiency and effectiveness).

The NAO has set a deadline for the completion of this work as three months after the opinion on the Council's financial statements has been given.

At this stage we continue to work to the original timeline of the end of December 2021 for completion for this work.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit and General Purposes Committee setting out our proposed approach in order to give an opinion on the 2020/21 financial statements.</p>	April 2021	Completed (issued 7 May 2021)
<p>Audit Findings Report</p> <p>The Audit Findings Report will cover the findings on our financial statements audits.</p>	September 2021 (now expected to be November 2021)	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement.</p>	September 2021 (now expected to be November 2021)	Not yet due
<p>Auditor's Annual Report</p> <p>This summarises the work undertaken as part of our Value for Money assessment.</p> <p>The NAO has set a deadline for the completion of this work as three months after the opinion on the Council's financial statements has been given.</p>	September 2021 (now expected to be December 2021)	Not yet due

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

