

Audit Progress Report and Sector Update

Bath and North East Somerset Council
Year ending 31 March 2021

Corporate Audit Committee date: 23 September 2021



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Introduction



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This paper provides the Corporate 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 Corporate 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 14 September 2021

Financial Statements Audit

We presented our 2020/21 audit plans for the Council and Avon Pension Fund to the Corporate Audit Committee in April 2021. These set out our proposed approach to the audit of the Council's and Pension Fund's 2020/21 financial statements.

The significant risks we identified within those plans were as follows:

Bath and North East Somerset Council

- Income from other fees and charges and investment estate;
- Management override of controls;
- Valuation of land and buildings including investment properties; and
- Valuation of net pension fund liability

Avon Pension Fund

- Management over-ride of controls
- Valuation of Level 3 Investments
- Actuarial Present Value of Promised Retirement Benefits

In those plans we noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts (two months earlier than last year). Given the system-wide pressures set out in our audit plans, we indicated this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year).

Therefore we proposed the following target completing dates for our audit fieldwork:

- Council Audit: 29 October 2021
- Pension Fund Audit: 30 September 2021

Completion of the field work by the end of October would have enabled us deal with completion tasks and targeting signing off your accounts following the early December meeting of this Corporate Audit Committee on 2December 2021.

Progress as at 14 September 2021

Our audits of the Council and Pension Fund commenced in early August 2021 in accordance with our original timetable.

Since then progress on both audits has been slower than we would have hoped. This has been due to a number of factors, most notably resourcing challenges on our side. The Audit Manager on the pension fund side has been off work due to Covid and in the case of the Council we have not been able to fill the vacant manager position. This has placed extra pressure on the remainder of both teams.

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 opinions, 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 excellent co-operation from both sets of finance officers at the Council and Pension Fund. Both audit teams and your finance teams have worked hard to deliver to the original timeline but we recognise that this is now not achievable.

From our work undertaken to date, we have not identified any significant or material issues impacting on the accuracy of either set 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 will 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 we will not be able to achieve the early December completion. We are not too far behind our original schedule.

We are keen to get the opinion audits 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 mid November for the Pension Fund and early December for the Council.

On this basis we are in discussion with officers to agree the timing of the reporting of our audit findings to the Corporate Audit Committee. This may necessitate some changes to the timing of future committees.

As a team we are committed to completing these audits before Christmas, three months earlier than 2019/20.

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

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.

We now anticipate this work being completed by the end of February 2022, at the latest.

Audit Deliverables

2020/21 Deliverables	Relevance	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the 2020/21 financial statements.</p>	Council and Pension Fund	April 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will cover the findings on our financial statements audits.</p>	Council and Pension Fund	December 2021 (revised)	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement.</p>	Council and Pension Fund	December 2021 (revised)	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>	Council only	February 2022 (revised)	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)

