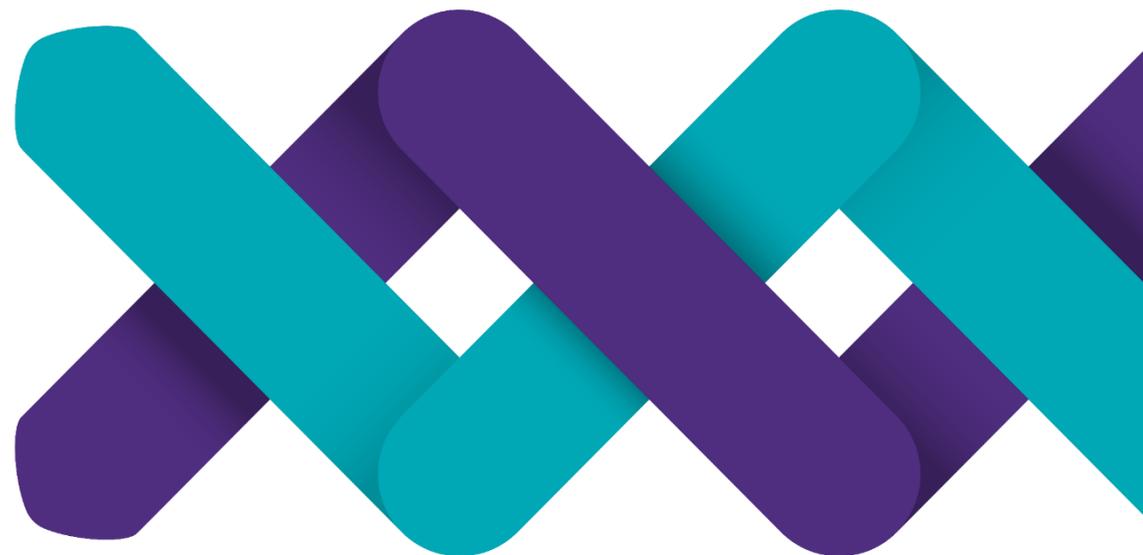


# Audit Progress Report and Sector Update

Somerset West and Taunton Council  
Year ending 31 March 2021

February 2021



# Contents

Section	Page
Introduction	3
Progress at February 2021	4
Audit Deliverables	5
Sector Update	6

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# Introduction

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This paper provides the Audit, Governance and Standards 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, Governance and Standards 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](http://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 February 2021

## Financial Statements Audit

The audit of the 2019/20 financial statements is close to completion and we are due to give our opinion in the week commencing 1<sup>st</sup> of March 2021.

## Value for Money opinion

We will issue an unqualified value for money opinion for 2019/20 at the same time as the financial statements opinion in March 2021.

## Certification of the Audit

We will be unable to certify the completion of the audit due to an outstanding objection in relation to Taunton Deane Borough Council's 2018/19 financial statements.

## Other areas

### Certification of claims and returns

Housing Benefits Subsidy Claim - The deadline for the certification of the housing benefit subsidy claim was 31 January 2021. The Council have requested an extension to this deadline to the 12<sup>th</sup> of March, which the Department for Work and Pensions has granted. The DWP have confirmed that there is no cashflow implication to the Council in requesting this extension. We will report the findings arising from this work at the next Audit, Governance and Standards Committee.

Pooling of Housing Capital Receipts Claim – The deadline for the certification of this claim was 29 January 2021. There were a number of exceptions and errors identified during the certification process, due to which there was a delay in completing this work. We issued our report of factual findings on 10 February 2021. The errors resulted in overall expenditure on the claim being understated. We have reported this to MHCLG via our Accountant's Report.

## 2020/21

We have started to consider the audit of the 2020/21 financial year and our associated planning processes.

Our formal work will begin later in the year, in the meantime we will:

- have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review Council and Executive minutes and latest financial and operational performance reports

We expect to issue our audit plan summarising our approach to key risks on the audit in April 2021.

The interim audit will cover an understanding of processes and controls, a walkthrough of our significant risk areas, and a review of IT general controls. We will probably undertake all of our substantive testing at the post statements visit in the summer.

We will report any findings from the interim audit to you in our progress report at the April Audit, Governance and Standards Committee.

### Meetings

We meet with Finance Officers and Chief Executive of the Council on a regular basis. We last met with the s151 Officer in February 2021.

# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report was reported to the February Audit, Governance and Standards Committee.</p>	February 2021	Complete
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	March 2021	In progress
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	April 2021	Not yet due
2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	April 2021	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit, Governance and Standards Committee. The timetable for the submission of audited accounts for 2020/21 has still to be confirmed.</p>	TBC	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	TBC	Not yet due
<p><b>Auditor's annual report</b></p> <p>The auditor's annual report brings together all of the auditor's work over the year. A core element of this report will be our commentary on your value for money arrangements.</p>	TBC	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 audit 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

# Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

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 most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

## Value for Money - Key changes

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

- A new set of key criteria, covering governance, financial sustainability and improvements in 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 new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

## Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

# Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) has published a report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>

