

Audit Progress Report

North Devon District Council
Year ending 31 March 2020

9 June 2020



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Introduction



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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Governance 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 Audit Manager.

PSAA Contract Monitoring

North Devon District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us.

Progress at June 2020

Financial Statements Audit

Our planning commenced in January 2020, this is an ongoing, iterative process informed by our meetings with officers, review of key Council minutes and developments within the sector.

We set out the audit risks from the audit in our Audit Plan and our proposed testing to address each of the risks identified. Our detailed Audit Plan was presented in March 2020.

Since presenting our Audit Plan we have reviewed our risk assessment in light COVID-19 and concluded that this now represents a significant 'financial statements' wide risk to the audit and as such have issued an addendum to this plan setting out our response in this area. This is included in the agenda papers.

We completed our interim audit in March 2020. The findings from our interim audit are summarised on pages 6 and 7 of this report.

At the previous meeting we were not able to confirm the timing of the audit due to the pace of change in the sector.

We are now able to confirm that the audit will take place in September 2020 with the draft accounts expected by 31 July 2020. We will aim to complete some preliminary work in early August 2020 to give the Council time to provide some of the required evidence.

We will report our work in the Audit Findings Report and provide you with regular updates on progress during the audit.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have undertaken our initial risk assessment against the NAO criteria and have identified financial sustainability as a significant risk. This was set out in our Audit Plan presented at the March 2020 committee meeting.

We will report the findings of our work in the Audit Findings Report.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. We are currently working with the Council to set up remote working in this area. Subject to getting the correct approvals in place we are planning to complete our initial testing in June 2020.

The deadline for this work remains 30 November, however we are aware that the DWP has written to Councils setting out that this date has been relaxed and that 31 January 2021 is an optional deadline.

Meetings

We continue to be in regular dialogue with Finance Officers as part of our periodical liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Changes to reporting requirements and timetable

Since the previous meeting and as a result of Covid-19 there has been changes to the reporting deadlines for LG accounts. The revised time table is:

- draft accounts deadline to be moved from 30 May to 31 August,
- audit deadline moved from 31 July to 30 November
- the implementation of IFRS 16 has been delayed to 1 April 2021, councils should still disclose the expected impact of its initial application in their 2019/2020 statements. Given this is a developing situation, there may be further changes to the accounts process for 2019/20 and we will be in regular dialogue with the finance team as appropriate.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. A Covid-19 Audit Plan addendum will be presented to the June Committee.</p>	March 2020	Complete
<p>Interim Audit Findings</p> <p>We report to you the findings from our interim audit within this Progress Report.</p>	June 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Governance Committee.</p>	TBC	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	TBC	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	TBC	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>We have not yet finished our work in this area. Our work to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Walkthrough testing	<p>We have partially completed walkthrough tests of the Council's controls operating in the areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>The key areas considered are Property, Plant and Equipment and the Pensions Liability. Our work has not identified any issues which we wish to bring to your attention at this stage. Internal controls reviewed to date have been implemented by the Council in accordance with our documented understanding.</p> <p>We have been having ongoing discussions with the finance team around the potential impact of COVID-19 in these areas.</p>	<p>To date our work has not identified any weaknesses which impact on our audit approach.</p> <p>Due to Property, Plant and Equipment and the Pension Liability being largely year end processes, we will complete our walkthroughs in these areas as part of the year end visit.</p>

Results of Interim Audit Work (cont.)

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Early substantive testing	<p>We have completed testing of months 1-9 transactions in the following areas:</p> <ul style="list-style-type: none"> - Operating expenditure, and - Other revenues. <p>We have also completed a payroll substantive analytical review at month 9.</p>	Our testing to date has identified any issues that we need to bring to your attention.

