

Audit Progress Report and Sector Update

Mid Devon District Council
Year ending 31 March 2020

10 December 2019



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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.

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 December 2019

Financial Statements Audit

Since the last Audit Committee we have begun our planning for the 2019/20 audit. In the New Year we will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We are scheduled to meet with senior officers on 5 December 2019 where we will discuss the timetable for the audit and progress against prior year recommendations.

Our interim audit is scheduled to commence in the New Year and will include:

- Updated review of the Council's control environment;
- Updated understanding of financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues; and
- Early substantive testing.

We will report the findings of our interim audit as part of our regular Audit Committee reporting.

We will report the overall findings of the 2019/20 audit in the Audit Findings Report and aim to give our opinion on the Statement of Accounts 31 July 2020.

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the 31 July 2020.

Progress at December 2019

Other areas

Certification of claims and returns

Since the October Audit Committee we have certified the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This work was completed collaboratively with Internal Audit and Council Officers. This arrangement worked well and allowed the work to be completed by the deadline and to the required quality standards. The base fee for this work has been reduced to reflect this collaborative arrangement.

The claim was certified on 29 November 2019 ahead of the national deadline. Minor amendments were made to the claim with the overall impact being a reduction in subsidy due of £4,039. The detailed findings of this work will be reported as part of our certification report at the next audit committee.

Meetings

We are due to hold our initial planning meeting with your senior finance officers and this will feed this into our Audit Plan.

Events

We are currently sending out invites to your finance team for our Chief Accountant workshops. These are really useful events that allow an opportunity to discuss emerging technical items.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables

	Planned Date	Status
Accounts Audit Plan 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 Council's 2019-20 financial statements.	January 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	July 2020	Not yet due

