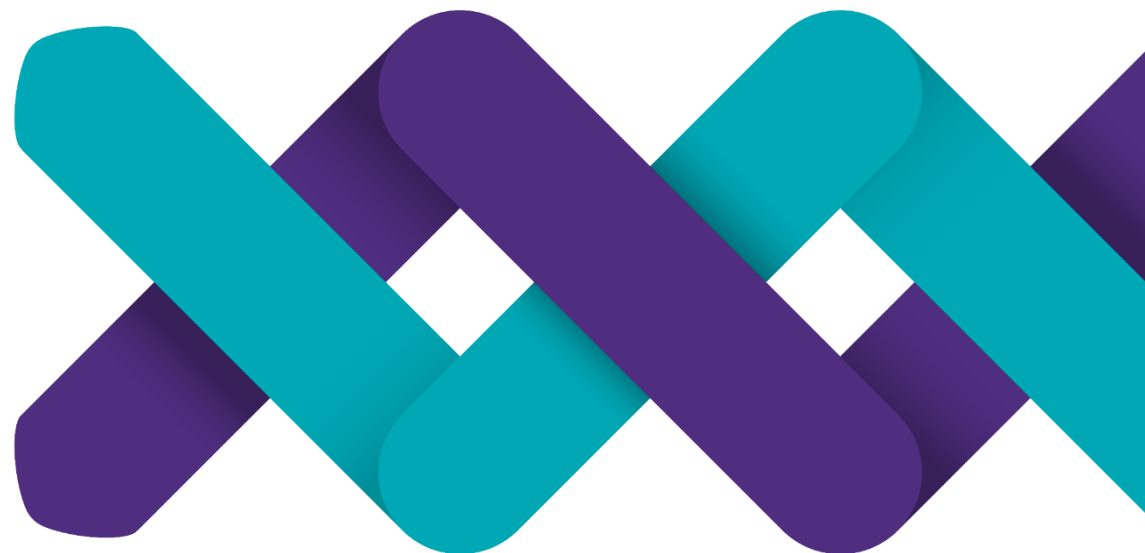


# Audit Progress Report

Exeter City Council  
Year ending 31 March 2020

July 2020



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# Introduction

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

Members of the Audit and 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](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 July 2020

## Financial Statements Audit

We began our planning for the 2019/20 audit in March 2020 and undertook an interim audit in March and April 2020. Our interim fieldwork includes:

- updated review of the Council's control environment;
- updated review the Council's information technology controls;
- reviewed the Council's Internal Audit arrangements;
- updated understanding of financial systems;
- updates to our understanding of journal entry controls;
- early work on emerging accounting issues; and
- early substantive testing.

We issued a detailed audit plan in March 2020, setting out our proposed approach to the audit of the Council's 2019/20 financial statements, and this was presented to the Committee on 11 March 2020. We issued an addendum to that plan on 27 April 2020 to include a significant financial statement risk regarding the Covid-19 pandemic.

### Changes to national audit timetable

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which amend the Accounts and Audit Regulations 2015, came into force on 30 April 2020. These new regulations confirmed:

- the publication date for final, audited, accounts would move to 30 November 2020 for all local authority bodies;
- local authorities must commence the public inspection period on, or before, the first working day of September 2020; and
- draft accounts must be approved by 31 August 2020, or earlier where possible.

We continue to liaise with the Section 151 Officer and key finance officers in respect of the impact of Covid-19 on the Council's operations and the production of its financial statements and we have begun to make arrangements for a fully remote final accounts audit.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office (NAO). 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 are included in our Audit Plan.

### Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

We plan to report our work in the Audit Findings Report and aim to give our Value for Money Conclusion by 30 November 2020.

The NAO has consulted on a new Code of Audit Practice and the new version applicable for audits from 1 April 2020 which includes significant changes to the auditor's Value for Money work. The NAO are currently consulting on the Auditor Guidance Notes to support the new Code which will provide clarity on the requirements for Value for Money audit work from the 2020/21 financial year.

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# Progress at July 2020 (cont.)

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## Other areas

### Certification of claims and returns

The review of your Housing Benefits subsidy return is no longer covered by Public Sector Audit Appointments Ltd and Councils appoint their own reporting accountants. The Council appointed Grant Thornton UK LLP for this work in 2019/20 and has notified the Department for Work and Pensions (DWP).

The national deadline for the completion of this work has been moved from 30 November 2020 to 31 January 2021 as a result of the Covid-19 pandemic.

### Meetings

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

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February 2020, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

We have also arranged a series of virtual workshops to discuss Covid-19 financial reporting and the session for District Councils is being held 20 July 2020. This will be run by our technical team and will provide an opportunity for wider discussions with the Council's peers. This follows on from the recent Grant Thornton publication on the financial reporting impact of Covid-19. Your finance team have been invited to participate.

# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2019/20. We reported our proposed fee variation from the scale fee set by PSAA in our Audit Plan issued in March 2020. This variation has now been approved by PSAA.</p>	April 2019	Complete
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give our opinion on the Council's 2019/20 financial statements and our conclusion on the Council's Value for Money arrangements.</p>	March 2020	Presented to 11 March 2020 Audit and Governance Committee. Audit Plan Addendum sent 27 April 2020.
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report is planned to be reported to the November Audit and Governance Committee.</p>	November 2020	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>	November 2020	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	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:

2019/20 Deliverables	Work performed	Conclusions and recommendations
<b>Council's control environment</b>	<p>We obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• communication and enforcement of integrity and ethical values;</li> <li>• commitment to competence;</li> <li>• participation by those charged with governance;</li> <li>• management's philosophy and operating style;</li> <li>• organisational structure;</li> <li>• assignment of authority and responsibility; and</li> <li>• human resource policies and practices.</li> </ul>	<p>We have not yet received the Council's commentary on it's overall control environment, and are therefore not able to fully conclude. No issues have been identified to date.</p>
<b>Review of Information Technology controls</b>	<p>Our IT (information technology) colleagues performed a high level review of the general IT control environment for the 2018/19 audit, as part of the overall review of the internal controls system.</p> <p>We have reviewed and updated this assessment for 2019/20.</p>	<p>No significant deficiencies were identified in 2018/19 and the reported issues were all classified as having 'risk of inconsequential misstatement'.</p> <p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p>	<p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>The Council's financial systems</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the Council's business processes;</li> <li>• documented the understanding of the entity's information and communication component of internal control; and</li> <li>• started the walkthrough of the Council's systems in our significant risk areas.</li> </ul>	<p>Some process and controls only occur at the year end and therefore at our final audit visit we will complete this work for the year end processes.</p> <p>To date we have not identified any control weaknesses to bring to the Committee's attention.</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:

2019/20 Deliverables	Work performed	Conclusions and recommendations
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. To date we have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work on Journals will be concluded during our final audit visit.
<b>Emerging accounting arrangements</b>	Subsequent to the issue of our Audit Plan and as reported in our Audit Plan Addendum, the implementation of IFRS 16 (Leases) has been deferred until 2021/22 due to the Covid-19 pandemic.	The potential impact on implementation will still need to be disclosed in the 2019/20 accounts in accordance with accounting standards and we will review the Council's disclosure as part of our final audit visit.
<b>Early substantive testing</b>	As a result of the timing of our interim audit and the changing working conditions in response to the Covid-19 pandemic we were unable to complete any early substantive testing during our interim visit.	All substantive testing will be completed as part of our final audit visit.



