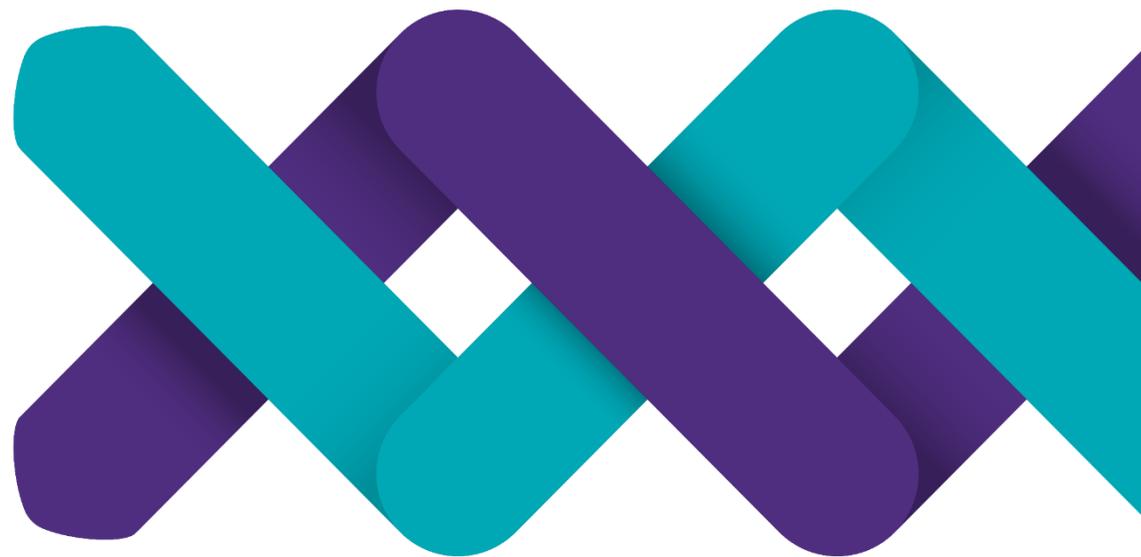


Audit Progress Report

**Rotherham Metropolitan Borough Council
Year ending 31 March 2020**

7 August 2020



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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.



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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 Gareth or Thilina.

Progress as at 7 August 2020

Financial Statements Audit

We undertook our initial planning for the 2019-20 audit in January 2020, and our interim audit was performed in February to March 2020.

In line with our discussions with the senior finance team regarding the year-end audit, we received the Council's draft accounts on 31 July and commenced our audit work on 3 August as planned.

In January we issued a detailed Audit Plan, setting out our proposed approach to the audit of the Council's 2019-20 financial statements.

We will report our work in the Audit Findings (ISA260) Report and aim to give our opinion on the Statement of Accounts in November 2020.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 4 February 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money approach to reflect the unprecedented global response.

On 21 April we issued an addendum to our Audit Plan, setting out a new significant financial statement risk in relation to Covid-19. We presented this to the Audit Committee in May.

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 value for money initial risk assessment with significant risks were reported to those charged with governance in our Audit Plan on 22 January 2020. Our VFM work has two key areas of focus:

1. The financial standing of the Council, including delivery of the 2019-20 budget and savings plan, and looking ahead to the medium term financial plan
2. The Council's Dedicated Schools Grant deficit position and recovery plan.

We will report our work on these issues in the Audit Findings (ISA260) Report and aim to give our Value For Money Conclusion in November 2020.

Progress as at 7 August 2020 (Cont.)

Other areas

Certification of claims and returns

We are currently in discussion with the senior finance team regarding our appointment to certify a number of claims and returns for 2019-20, including the Housing Benefit claim, the Teachers' Pension Return and the Pooling of Housing Capital Receipts Return.

In response to the impact of the Covid-19 pandemic, the DwP has moved the Housing Benefit Return reporting deadline back to 31 January 2021 from 30 November 2020.

The Ministry of Housing, Communities & Local Government (MHCLG) has yet to confirm the guidance and timings for the certification of the 2019-20 PHCR return.

We recently certified a Section 14 CYPS grant expenditure, received from Department for Education during 2019-20, in relation to the costs of Operation Stovewood during 2019-20. This work was completed and certified on 30 July 2020 with an associated certification fee of £5k.

Meetings

Despite the lockdown, we have continued to meet on a regular basis with a number of senior officers of the Council, including Chief Executive, Strategic Director of Finance and Customer Services and her senior team.

These meetings have been very useful and informative, covering various topics including challenges arising from Covid-19 pandemic and other Council priorities. We will continue to have this dialogue with senior management during these unrepresented times. We continue to liaise with finance staff regarding emerging accounting developments and to ensure the audit process is smooth and effective, despite the challenges of remote working.

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, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

New Audit Code for 2020-21 onwards:

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020-21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

We will provide further details of the impact of these changes once the consultation has finished and revised guidance has been issued. We will discuss this initially with Officers and then provide an update to Members at the Audit Committee later in 2020-21.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we expect to be working remotely most parts during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely.
- Our experience from year-end NHS audits (which concluded at the end of June) was that it is possible to delivery complex, large public sector audits remotely, however, the audit process clearly takes longer than under normal circumstances. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which we would continually consider as part of the year end audit, currently on going:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to Going Concern or asset valuations
- valuation of Land and Buildings and assumptions made by valuers, particularly in respect of carrying value to current value assessment as part of the 5 year rolling valuation methodology
- impact on collectability of debts outside the public sector and assumptions made in bad debt provisions.
- valuation of pension fund assets, including when pension fund holds investment properties
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed
- disclosure of impact in the Narrative Report
- disclosure of critical judgements and material estimation uncertainties
- Impact on Council's MTFP and 2020-21 budget delivery
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation
- considerations in respect of service continuity and disaster planning arrangements
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019-20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- The Council provided us with their draft accounts on 31 July 2020 and our audit commenced on 3 August 2020 as planned.
- The revised target date for audited financial statements is now 30 November 2020 and we aim to complete and conclude our audit by this date.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021-22.

Audit Deliverables

2019-20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019-20.	April 2019	Complete
Audit Plan We are required to issue a detailed 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 and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Audit Plan Addendum We issued an updated Audit Plan to highlight the impact of Covid-19 on our audit approach. This was presented to the Audit Committee on 26 May 2020	May 2020	Complete
Audit Findings (ISA260) Report The Audit Findings Report is expected to be shared with management and members of the Audit Committee in October.	24 November 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	By 30 November 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due



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