



Grant Thornton

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Local audit in an era of Covid19

Presentation to Society of District Council Treasurers

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Local audit in an era of Covid19

Context: the audit world before Covid19

Covid 19: The challenges and how we respond

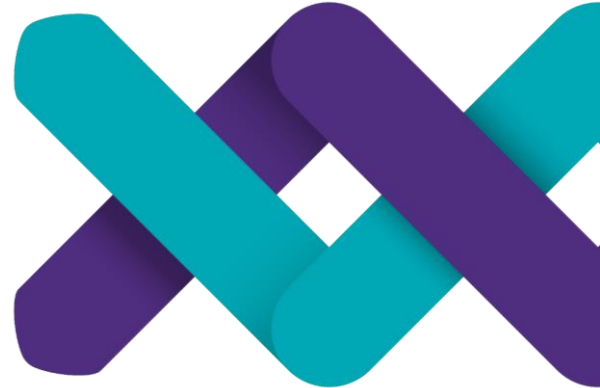
The future



Context – the audit world before Covid19

2018/19 – a difficult year

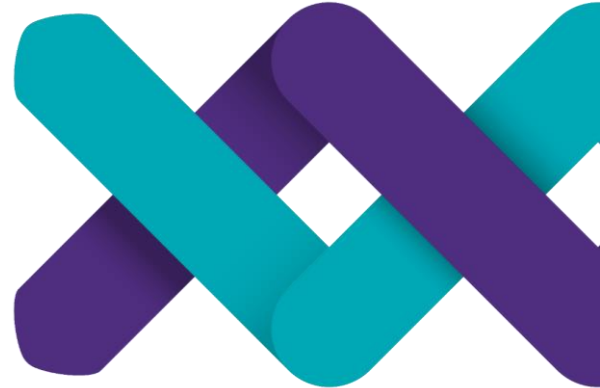
- Focus from parliament and the FRC on quality of audit
- FRC granted new inspection powers for local audit
 - Increased frequency of inspections
 - Public reporting
- Independent reviews
 - Kingman, Brydon and Redmond



Context – the audit world before Covid19

2018/19 – a difficult year

- The FRC's expectations for auditors
 - Increased scepticism and challenge
 - Increased focus on PPE, Pensions and other areas
 - More robust reporting
 - More consistent audit quality



Context – the audit world before Covid19

PSAA Review of sustainability in the Audit Market (March 2020)

- A number of firms have left the market
- For those that remain: Long hours, more regulation, increased pressure
- External audit an increasingly unattractive profession
- How do we attract and retain the CIPFA accountants and auditors of the future?
- Where is the next generation coming from?



Context – the audit world before Covid19

Grant Thornton's submission to Sir Tony Redmond

- Accounts have grown far more complex
- Authorities are engaging in more innovative / unusual transactions
- Austerity has reduced the ability of many authorities to prepare high quality accounts and working papers
- The sign off date of 31 July too tight
- Fees no longer reflect the external environment
- Retention of key people is very difficult in this environment
- Radical and urgent reform is needed

Context – the audit world before Covid19

Year	Target date	% opinions signed (all firms)
2016/17	30 Sep	95%
2017/18	31 July	80%
2018/19	31 July	58%

Covid19 - the challenges

For you

- Preparation of accounts when working remotely
- Valuation of PPE – material uncertainties?
- Valuation of Investment Property (where applicable)
- Governance arrangements – remote committees



Covid19 - the challenges

For you

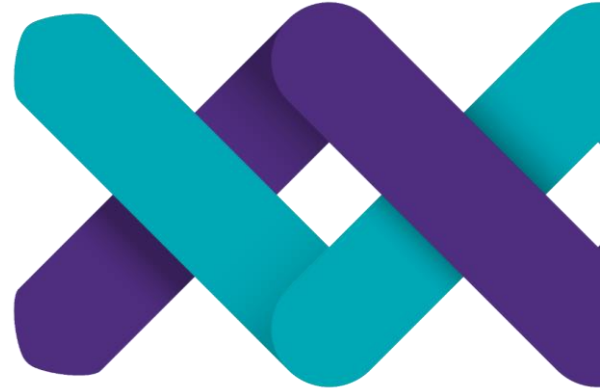
- Financial resilience
 - Precepts and charges
 - Car Park Income
 - Investment income (if applicable)
 - Adequacy of central government funding
 - Other



Covid19 - the challenges

For Us

- Physical verification of assets
- Valuation of PPE and Investment Property
- Remote access to working papers and people
 - Our experience based on NHS audits



Covid19 - the challenges

For Us

- Financial resilience
 - Robustness of your plans
 - Adequacy of reserves
 - Ability to cope with declining income or increasing costs
 - Adequacy of disclosures
 - Some authorities considering section 114 notices



How are we responding?

What you will see in the Audit Plan

- Significant risk in respect of Covid19
- Increased focus on financial resilience (VfM)

What you should expect to see in the audit programme

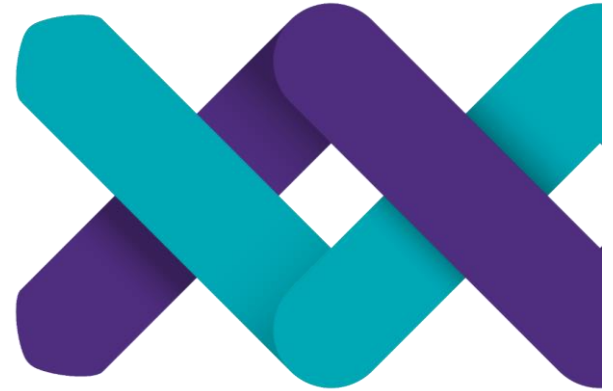
- Enhanced scepticism and challenge
- Use of our own valuer as auditor's experts at some audits
- Emphasis of matter in respect of material uncertainty on PPE



How you can respond

Be aware of the auditor's areas of focus

- Asset valuations (kept up to date)
- HRA valuations (at 31 March, not 1 April)
- Actuarial reports
- Understand assumptions used by experts
- Early discussion re any complex / unusual high value transactions



How you can respond

Top tips

- Early discussion re the revised timetable
- Comprehensive working papers on all key judgements
- Technical papers for complex / unusual transactions
- Supporting working papers for all material balances
- Evidence that you have challenged valuers
- Shared data files
- Recognise that providing auditors with an answer does not mean no further work is needed

So what happens next? 2020/21 and beyond

Further change is on the way

- New NAO Code
- Redmond review
- More use of remote working



So what happens next? 2020/21 and beyond

Our thoughts

- Covid19
 - Understanding the new normal
 - Finding ways to make remote working a success
- Wider audit and regulation: a system wide solution
 - A separate regulator for local audit
 - Rebasing of audit fees
 - Value for Money work which adds value
 - A realistic target date for sign off
 - Redmond report key

Questions





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