

Audit Progress Report and Sector Update

Devon County Council
Year ending 31 March 2021

Audit Committee date: 21 September 2021



Contents

Section	Page
Introduction	3
Progress at 31 August 2021	4
Audit Deliverables	5
Annual Transparency Report	6

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.granthornton.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 31 August 2021

Financial Statements Audit

We presented our 2020/21 audit plans for the County Council and Pension Fund to the Audit Committee in June 2021. These set out our proposed approach to the audit of the Council's and Pension Fund's 2020/21 financial statements.

The significant risks we identified within those plans were as follows:

Devon County Council

- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability

Devon Pension Fund

- Management over-ride of controls
- Valuation of Level 3 Investments
- Actuarial Present Value of Promised Retirement Benefits

In those plans we noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts (two months earlier than last year). Given the system-wide pressures set out in our audit plans, we believe this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year).

Therefore we proposed to target completing our audit fieldwork on your accounts in October 2021 before dealing with completion tasks and targeting signing off your accounts in November.

Our audits of the County Council and Pension Fund commenced in early August 2021 and we are currently on schedule to meet the timetable set out in our audit plans.

We have virtual meetings with Finance Officers on a weekly basis to help ensure the audit process is smooth and effective.

At the time of writing there are no issues we wish to report to the Audit Committee.

Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improving economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria (i.e. financial sustainability, governance and improving economy, efficiency and effectiveness).

The NAO has set a deadline for the completion of this work as three months after the opinion on the Council's financial statements has been given.

As noted in our audit plan for Devon County Council, our risk assessment identified the following risks of significant weakness:

- The Council's response to Ofsted's inspection of Children's Social Care Services which took place in January 2020.
- The plans the Council has to reduce the overspends against its Dedicated Schools Grant and to recover the cumulative deficit.

Audit Deliverables

2020/21 Deliverables	Relevance	Planned Date	Status
<p>Accounts Audit Plan</p> <p>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 2020/21 financial statements.</p>	Devon County Council Devon Pension Fund	June 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will cover the findings on our financial statements audits.</p>	Devon County Council Devon Pension Fund	November 2021	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement.</p>	Devon County Council Devon Pension Fund	November 2021	Not yet due
<p>Auditor's Annual Report</p> <p>This summarises the work undertaken as part of our Value for Money assessment.</p> <p>The NAO has set a deadline for the completion of this work as three months after the opinion on the Council's financial statements has been given.</p>	Devon County Council	February 2022	Not yet due

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

