



**Please ask for:** Matt Berry  
**Extension Number:** 4589  
**Email:** [mattberry@cannockchasedc.gov.uk](mailto:mattberry@cannockchasedc.gov.uk)

25 March 2021

Dear Councillor,

**Audit & Governance Committee**

**4:00pm, Tuesday 6 April 2021**

**Meeting to be held via Remote Access**

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,

**I. Curran,  
Council Solicitor and Monitoring Officer**

To: Councillors

Stretton, Mrs. P.Z. (Chairman)  
Jones, Mrs. V. (Vice-Chairman)

Cartwright, Mrs. S.M.    Todd, Mrs. D.M.  
Fisher, P.A.                Woodhead, P.E.  
Hughes, R.J.

# Agenda

## Part 1

**1. Apologies**

**2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members**

To declare any personal, pecuniary or disclosable pecuniary interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

**3. Minutes**

To approve the Minutes of the meeting held on 8 February 2021 (enclosed).

**4. Internal Audit Progress Report 2020-21**

Report of the Chief Internal Auditor & Risk Manager (Item 4.1 – 4.8).

**5. Internal Audit Plan for 2021-22**

Report of the Chief Internal Auditor & Risk Manager (Item 5.1 – 5.8).

**6. Annual Audit Letter 2019/20**

Report of the External Auditors (Item 6.1 – 6.15).

**7. Audit Progress Report and Sector Update**

Report of the External Auditors (Item 7.1 – 7.22).

**Cannock Chase Council**  
**Minutes of the Meeting of the**  
**Audit and Governance Committee**  
**On Monday 8 February 2021 at 4:00pm**  
**Held via Remote Access**

**Part 1**

PRESENT:  
Councillors

Stretton, Mrs. P.Z. (Chairman)  
Jones, Mrs. V. (Vice-Chairman)

Fisher, P.A.     Woodhead, P.E.  
Hughes, R.J.

Also present:

- John Farrar, Director, Grant Thornton (External Auditors)

**16. Apologies**

Apologies were submitted for Councillor Mrs. S.M. Cartwright.

**17. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members**

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

**18. Minutes**

The Minutes of the meeting held on 30 November 2020 were approved as a correct record.

**19. Internal Audit Progress Report 2020-21**

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 4.1 – 4.9 of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager advised that progress would normally have been reported earlier in the year, but this had been difficult to do so due to staff in the Internal Audit team being redeployed to support the response phase of the Covid-19 pandemic. As such, it had been necessary to review the audit plan for the year and bring forward to the Committee a revised version for approval, as set out in report Appendix 1.

The table in report paragraph 5.8 set out the assurance ratings given to each audit undertaken during quarter 3 of 2020/21. There had been issues with conducting these audits remotely due to Officers being busy with other tasks.

In respect of the audit given a limited assurance in the quarter, 'critical information systems not supported by IT', the reasons for this rating were set out in report Appendix 2, with a number of small weaknesses being identified rather than major issues. Also set out in the same Appendix was further details on those audits given a 'partial' assurance.

Appendix 3 listed the audits currently in progress, the outcomes of which would be reported to the Committee at a later date.

Resolved:

That:

- (A) The revised audit plan as set out in Appendix 1 of the report be approved.
- (B) The progress report be noted.

## **20. Strategic Risk Register**

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 5.1 – 5.27 of the Official Minutes of the Council).

The Head of Governance and Corporate Services advised that the register had been reviewed and updated at the end of October 2020 and submitted to Cabinet following that. Although progress had been made in delivering the actions for each risk, there had been no change to the overall ratings. The score for the risk related to the Council's key contracts had however been increased from 15 to 20, to reflect the impact the second lockdown would likely have on the financial viability of the Council's leisure services operator, Inspiring Healthy Lifestyles. This scenario still applied due to the third national lockdown being implemented at the start of January 2021.

Report Appendix 1 set out the summary position of the risks as at 31 October 2020, with further detail being provided in Appendix 2. The Council continued to manage and mitigate the risks as part of its pandemic response and recovery arrangements.

Resolved:

That the strategic risk register and progress made in the identification and management of the risks be noted.

## **21. Annual Governance Statement Progress Update**

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 – 6.7 of the Official Minutes of the Council).

The Head of Governance and Corporate Services advised the report gave an update on progress made in delivering actions for the significant governance issues as set out in the Annual Governance Statement 2019/20. As referenced in report paragraph 3.2, significant progress had been made on four issues and some progress made on three others.

Report Appendix 1 set out further detail on the progress against each action, noting that in most cases work had been impacted due to focusing resource on dealing with the pandemic.

In respect of the issue 'implications arising from EU exit', it was expected that some progress will have been made on this by the time of the next update following the terms of the exit being agreed by the UK and EU.

Resolved:

That the contents of the progress report be noted.

## **22. Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and Capital Strategy 2021-22**

Consideration was given to the Report of the Head of Finance (Item 7.1 – 7.38 of the Official Minutes of the Council).

The Head of Finance advised that the report had previously been presented to Cabinet on 28 January, and the recommendations from it were due to be considered at the budget Council meeting on 10 February. The report was before this Committee today to give Members the opportunity to scrutinise it.

The report and its recommendations supported the Housing Revenue Account and General Fund budget matters to be considered by Council on 10 February, and the borrowing required under those reports. It also set out measures put in place for how the Council's investments were managed. The economic outlook as included in the report was now out of date due to the ongoing impact of the Covid-19 pandemic, with the position changing on a weekly basis.

A Member thanked the Head of Finance for recognising in the report comments raised at the previous meeting about investments not contrasting with the Council's commitment to climate change.

In response to a query from a Member regarding the fact that there was no capital expenditure marked against the Health & Wellbeing portfolio (report paragraph 5.23), the Head of Finance advised that capital expenditure provision reflected planned initiatives and schemes due to come forward, and noted that projects within the Culture & Sport portfolio area could impact on health and wellbeing matters.

In response to a query from the same Member regarding the major repairs reserve (report paragraph 5.25), the Head of Finance advised that this was part of the funding for the Housing Revenue Account, and the amounts detailed were based on statutory determinations.

Resolved:

That the Report be noted.

The meeting closed at 4:20 p.m.

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CHAIRMAN

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<b>Report of:</b>	<b>Chief Internal Auditor &amp; Risk Manager</b>
<b>Contact Officer:</b>	<b>Stephen Baddeley</b>
<b>Contact Number:</b>	<b>01543 4415</b>
<b>Report Track:</b>	<b>Audit &amp; Governance Committee: 06/04/21</b>

**Audit & Governance Committee**  
**6 April 2021**  
**Internal Audit Progress Report 2020-21**

**1 Purpose of Report**

- 1.1 To present to the Audit & Governance committee for information a progress report on the work of Internal Audit.

**2 Recommendation(s)**

- 2.1 That the Committee notes the progress report.

**3 Key Issues and Reasons for Recommendations**

**Key Issues**

- 3.1 Attached is a progress report showing the audits which have been issued between 1st December 2020 and 31st January 2021

**Reasons for Recommendations**

- 3.3 The report has been prepared for Members information.

**4 Relationship to Corporate Priorities**

- 4.1 The system of internal control is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities.

**5 Report Detail**

- 5.1 This report is a summary of the Internal Audit work between 1<sup>st</sup> December 2020 and 31st January 2021 and is a report of progress against the revised audit plan.
- 5.2 The work completed against the revised plan is progressing well and we are on track to complete the majority of the revised plan by the end of the year.

- 5.3 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring to the attention of the committee any relevant areas where significant weaknesses have not been addressed by managers.
- 5.4 The table below gives a summary of the level of assurance for each of the audits completed in the period. More detailed information on each of the reports issued is contained in Appendix 1.

<b>Number of Audits</b>	<b>Assurance</b>	<b>Definition</b>
<b>2</b>	<b>Substantial</b> ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.
<b>1</b>	<b>Partial</b> ▲	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
<b>0</b>	<b>Limited</b> !	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
<b>0</b>	<b>No Assurance</b> ✘	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan.
<b>2</b>	<b>N/A</b>	One piece of work was issued where it was not appropriate to issue an Assurance due to the narrow scope of the work – this was in relation to Pension Testing on behalf of Staffordshire County Council.

- 5.5 Appendix 2 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.



5.6 Appendix 3 shows the follow-up that was issued in the period. At the time of the follow-up it is pleasing to be able to report that the level of assurance was revised from Partial to Substantial.

<b>6 Implications</b>
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**6.1 Financial**

None

**6.2 Legal**

None

**6.3 Human Resources**

None

**6.4 Risk Management**

None

**6.5 Equality & Diversity**

None

**6.6 Climate Change**

None

<b>7 Appendices to the Report</b>
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Appendix 1: Audits Completed by 31<sup>st</sup> January 2021

Appendix 2: Audits in Progress at 31<sup>st</sup> January 2021

Appendix 3: Follow-ups completed by 31<sup>st</sup> January 2021

**Background Papers**

Internal Audit Reports



## Audits Completed by 31 January 2021

## Summary of Progress

	Actual Audits				
	Planned Audits	Complete	% Of Completed	Work In Progress	% WIP & Complete
<b>Audit Plan</b>	21	10	48%	10	95%
<b>Commentary</b>	Work is progressing well, whilst only 48% of audits have been completed with those in progress at the end of January 2021 we are on track to complete at least 90% of the plan although it is anticipated that the remaining audits will also be completed.				✓

## Details of Audits Completed

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Creditors	Financial Management	Draft	1	Partial ▲	New supplier detail forms and requests for changes in supplier details were not retained on all occasions. However, we noted that there was sufficient evidence of the details being independently verified and recorded within the Creditors system, though ultimately, this could lead to changes in details without appropriate backup being retained
Council Tax	Financial Management	Final	0	Substantial ✓	

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Payroll	HR★	Final	0	Substantial ✓	
Environment & Healthy Lifestyles Major Projects	Environment & Healthy Lifestyles	Final	0	N/A	A review was carried out on the New Cemetery Project. No issues of major concern were found in the project at this stage. The level of work carried out was not sufficient to issue an opinion on the overall project.
Pensions Assurance for the County	HR★	Final	0	N/A	This is work carried out on behalf of the County in relation to the Pensions return to ensure it is accurate. No major issues were found in the accuracy of the return.

★ Services led by Stafford Borough Council as part of Shared Services

## Audits in Progress

Audit	Head of Service
Review of Covid Response	Corporate
Local Enterprise Partnership Arrangements / Combined Authority	Economic Development
National Non-Domestic Rates	Financial Management
Housing Benefits	Financial Management
Council Tax Reduction Scheme	Financial Management
Housing Void Management	Housing & Partnerships
Housing Allocations	Housing & Partnerships
Staff Expenses	HR★
Cyber and Network Security	Technology
IT Asset Management	Technology

★ Services led by Stafford Borough Council as part of Shared Services

**Item No. 4.**

## Follow-up Completed

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Housing Safety & Compliance	Housing & Partnerships	<b>Partial</b> ▲	0	3	0	3	<b>Partial</b> ▲	Some work is in progress but there have been delays, partly due to Covid-19, relating to aspects such as completing the asbestos and fire surveys. Progress is hopefully going to be made as additional resources in the form of a dedicated Compliance Officer have been taken on.
Lease Holder Recharges	Housing & Partnerships	<b>Partial</b> ▲	0	6	0	6	<b>Partial</b> ▲	<ul style="list-style-type: none"> <li>• Work is still needed to ensure the Leaseholder information on the system is accurate to allow recharges to be calculated from the system.</li> <li>• Work is still required on ensuring consistency for the recharges relating to communal areas.</li> <li>• Procedure notes need to be written up</li> <li>• Once the new Finance System is operational it is anticipated that information to bill Leaseholders can be automatically generated.</li> </ul>
Housing Social Alarms Arrangements	Housing & Partnerships	<b>Partial</b> ▲	4	0	1	5	<b>Partial</b> ▲	Work still needs to be carried out to determine the long-term arrangements and possible re-tendering of the service.

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Housing Rents 2 <sup>nd</sup> Follow Up	Housing & Partnerships	<b>Partial</b> ▲	0	0	1	1	<b>Partial</b> ▲	The outstanding action relates to the areas process and automating the letters. This work has been put on hold during the Covid-19 Pandemic as there has been more focus on supporting tenants than enforcement and evictions have not been possible during the pandemic.
Information Governance 2 <sup>nd</sup> Follow Up	Governance & Corporate Services	<b>Partial</b> ▲	1	0	4	5	<b>Partial</b> ▲	Work on the Information Governance Framework has been put on hold during the Covid-19 Pandemic which has delayed the outstanding actions particularly around exploring protective marking for documents and updating the Council's Publications Scheme.
Grounds Maintenance	Environment & Healthy Lifestyles	<b>Partial</b> ▲	5	2	0	5	<b>Substantial</b> ✓	



<b>Report of:</b>	<b>Chief Internal Auditor &amp; Risk Manager</b>
<b>Contact Officer:</b>	<b>Stephen Baddeley</b>
<b>Contact Number:</b>	<b>01543 464415</b>
<b>Report Track:</b>	<b>Audit &amp; Governance Committee 06/04/21</b>

**Audit & Governance Committee  
6 April 2021  
Internal Audit Plan for 2021-22**

**1 Purpose of Report**

- 1.1 To present to the Audit & Governance Committee the Internal Audit Plan for 2021-22.

**2 Recommendation(s)**

- 2.1 That the Committee approves the Audit Plan for 2021-22.

**3 Key Issues and Reasons for Recommendations**

**Key Issues**

- 3.1 Internal Audit has a duty to provide the Council with an annual opinion on the effectiveness of its internal control environment and governance arrangements. The work of Internal Audit is also used as one of the sources of assurance for the Annual Governance Statement.
- 3.2 Internal Audit is required to produce a plan of work to ensure that it can give an appropriate opinion on the Council's key risk areas and systems and provide sufficient coverage to inform the Annual Governance Statement.

**Reasons for Recommendations**

- 3.3 The planned work is deemed to be sufficient to ensure that Internal Audit can deliver an appropriate opinion on the control environment and governance arrangements at the Council.

**4 Relationship to Corporate Priorities**

- 4.1 This report supports all of the Council's Corporate Priorities by helping to ensure that there are effective governance arrangements in place.

<b>5 Report Detail</b>
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- 5.1 Internal Audit is an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls. The Internal Audit Section does this by conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole of the Council and to all levels of management.
- 5.2 To provide this assurance Internal Audit conducts an annual risk assessment and determines an audit plan for the year. Meetings are held with Heads of Service and the Council's s151 Officer as part of the risk assessment process to obtain views and comments in relation to the composition of the Internal Audit Plan. Comments are also invited from the External Auditor.

### Resources

- 5.3 The resource available for the delivery of the Audit Plan across both authorities in 2021-22 is 590 days; the full details are shown in Appendix 1. The In-house team is currently carrying a vacancy, which is being covered by External Support from a contractor and a second post is currently occupied by a Level 4 Apprentice so is not as productive due to ongoing training commitments.
- 5.4 There has been a small change to the resources available due to a request from Cannock Chase District Council's Leisure Contractor, IHL, to provide them with an Internal Audit function for 12 months in return for an agreed fee. It has been agreed that the Shared Service will provide 40 days of internal audit work and 5 management days. The fee is being split equally between Cannock Chase District Council and Stafford Borough Council. The fee may either be taken as a saving for 2021/22 or used to back-fill and buy-in additional days from our Audit Contractor (20 days per Council).
- 5.5 The resources can be broken down into:

#### Allocation of Resources to Audit Plan Requirements

<b>Shared Service Audits</b>	<b>180</b>
<b>Cannock Specific Audits</b>	<b>182</b>
Stafford Specific Audits	133
IT Audit Plan	60
IHL Audit Plan	40
<b>Total Days</b>	<b>595</b>

- 5.6 The resources available for the year are considered sufficient to cover enough work to adequately inform the Annual Audit Opinion for 2021-22.

### Annual Audit Plan

- 5.7 Normally, a full review of the "Audit Universe" would take place and be presented to Committee setting out all the possible areas for review and the risk scores determined for 2021-22. However due to the ongoing impact of the Covid-19 Pandemic and the unusual circumstances that this has presented a full review of

the Audit Universe has not been undertaken this year. Instead the main risks being faced by the Council have been identified and this has been used to inform the audit plan. This has led to the focus of work for 2021-22 being based around:

- (i) the Council's response and recovery to the pandemic;
- (ii) the strategic risk areas;
- (iii) major projects; and
- (iv) key financial systems.

5.8 Areas identified for review this year have been categorised as:

- (i) Covid Response – activity relating to the ongoing response to the pandemic;
- (ii) Covid Recovery – activity relating to recovery for the Council, our residents and businesses;
- (iii) Strategic Issues – items from the Strategic Risk Register and key projects; and
- (iv) Operational Elements – Key financial systems, other projects, operational functions

5.9 The plan has been prepared and is attached as Appendix 2 This shows two elements:

- (i) The areas delivered as a Shared Service with Stafford Borough Council; and
- (ii) Those services solely delivered by Cannock Chase District Council.

5.10 The Audit Plan has been split across the themes as follows

	<b>Number</b>	<b>%</b>
Strategic Issue	4	17
Response Elements	2	9
Recovery	2	9
Operational	15	65
<b>Total</b>	<b>23</b>	<b>100</b>

5.11 A predetermined budget of time has not been allocated to the individual audits this year. Instead, we instead to allocate blocks of time to each theme/area that we are looking to provide assurance on to allow a more flexible use of resources. For example, a block of time will be dedicated to the audit of the recovery actions to ensure that the Council is preparing itself for the future and a return to normal levels of service however if we do see further issues and a resurgence of the virus then our focus may shift and more resources may be allocated to reviewing the work on response.

5.12 The IT Audit Plan for 2021-22 is also attached as Appendix 3. This has been compiled following an IT Audit Needs Assessment completed by the Council's IT Audit Contractor based on discussions with the Head of Technology.

<b>6 Implications</b>
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**6.1 Financial**

None

**6.2 Legal**

None

**6.3 Human Resources**

None

**6.4 Risk Management**

None

**6.5 Equality & Diversity**

None

**6.6 Climate Change**

None

<b>7 Appendices to the Report</b>
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Appendix 1: Available Audit Resources 2021-22

Appendix 2: Internal Audit Plan 2021-22

Appendix 3: IT Audit Plan 2021-22

**Previous Consideration**

None

**Background Papers**

Audit Plan File held by the Chief Internal Audit & Risk Manager

**Available Audit Resources 2021-22**

	<b>General Audit Total</b>	<b>IT Audit Support</b>	<b>Total Days - Revised Plan</b>
Staffing of the Team (Excludes Chief Internal Auditor)	<b>3</b>		
<b>In House Total Days</b>	<b>1044</b>		<b>1044</b>
<b>External Support</b>	150	60	<b>210</b>
<b>Days Available</b>	<b>1194</b>	<b>60</b>	<b>1254</b>
Less Non-Operational (leave, training etc)	413		<b>413</b>
<b>Chargeable Days</b>	<b>781</b>	<b>60</b>	<b>841</b>
<b><u>Chargeable Work</u></b>			
Fraud	28		<b>28</b>
Advice, Consultancy	58		<b>58</b>
Contingency Budget	130		<b>130</b>
Follow-ups	30		<b>30</b>
<b>Audits</b>	<b>535</b>	<b>60</b>	<b>595</b>
<b>Chargeable Days</b>	<b>781</b>	<b>60</b>	<b>841</b>
<b><u>Allocation of Resources to Audit Plan Requirements</u></b>			
<b>Shared Service Audits</b>	<b>180</b>		
<b>Cannock Specific Audits</b>	<b>182</b>		
Stafford Specific Audits	133		
IT Audit Plan	60		
IHL Days	40		
<b>Total Days</b>	<b>595</b>		



## Internal Audit Plan for 2021-22

## Cannock Chase DC Specific

<b>Audit Area</b>	<b>Lead Officer</b>	<b>Classification</b>
Economic Growth Projects - Stadium Phase 2, Levelling-up Fund Application	Corporate	Strategic Issues
Commonwealth Games Project	Corporate	Strategic Issues
Affordable Housing Projects	Housing & Partnerships	Strategic Issues
Climate Change Actions/Group	Managing Director	Strategic Issues
Business Grants	Economic Development/Finance	Response
Community Support Framework	Housing & Partnerships	Response
Planning for the Future (include Corporate Plan and Capacity)	Corporate	Recovery
Leisure Open Book and Recovery Arrangements and Monitoring	Environment & Healthy Lifestyles	Recovery
Disabled Facility Grants	Economic Development	Operational Elements
Development Control & Enforcement	Economic Development	Operational Elements
New Planning IT System	Economic Development	Operational Elements
Property /Asset Management Works – Rugeley Pool & Boiler, MSCP Demolition, Civic Offices Toilets, Boardwalks, Elmore Park	Economic Development	Operational Elements
Culture & Sport Capital Programme – New Cemetery,	Environment & Healthy Lifestyles	Operational Elements
Waste - Biffa arrangements	Environment & Healthy Lifestyles	Operational Elements
Car Park Cashless payments (new process)	Environment & Healthy Lifestyles	Operational Elements
Housing Consumer Standards Compliance	Housing & Partnerships	Operational Elements

**Shared Services**

<b>Audit Area</b>	<b>Lead Officer</b>	<b>Classification</b>
Council Tax	Financial Management	Operational Elements
Housing Benefits	Financial Management	Operational Elements
New Finance System & E-payments implementation	Financial Management	Operational Elements
National Non-Domestic Rates	Financial Management	Operational Elements
Treasury Management	Financial Management	Operational Elements
Customer Transformation Work – Joint work including replacement CRM & E-forms.	Governance & Corporate Services / Operations	Operational Elements
Payroll	HR	Operational Elements



## IT Audit Plan for 2021-22

<b>Audit Area</b>	<b>Lead Officer</b>	<b>Classification</b>
Document Retention /IT Records	Technology	Operational Elements
IT Health check / IT Assurance / Vulnerability Scanning / Cyber Assurance Arrangements	Technology	Operational Elements
IT Third Party Supplier Management and External Data Sharing (including access controls)	Technology	Operational Elements
Change Control Procedures	Technology	Operational Elements

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# The Annual Audit Letter for Cannock Chase District Council

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Year ended 31 March 2020

25 March 2021



# Contents



Your key Grant Thornton  
team members are:

**John Farrar**

**Director**

T: 0151 224 0869

E: John.Farrar@uk.gt.com

**Hamze Samatar**

**Manager**

T: 0116 257 5585

E: Hamze.MHA.Samatar@uk.gt.com

**Harkamal Vaid**

**Audit In-Charge**

T: 0115 697 9365

E: Harkamal.S.Vaid@uk.gt.com

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## Appendices

A Reports issued and fees
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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cannock Chase District Council ('the Council') for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on 30 November 2020.

## Our work

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £1,375,000, which equated to 2% of the Council's gross cost of services.
<b>Financial Statements opinion</b>	<p>We gave an unqualified opinion on the Council's financial statements on 30 November 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the property assets of its pension fund, given uncertainties created by the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>
<b>Whole of Government Accounts (WGA)</b>	We completed work on the Council's consolidation return following guidance issued by the NAO.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

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# Executive Summary

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**Value for Money arrangements** We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 November 2020.

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**Certificate** We certified that we have completed the audit of the financial statements of Cannock Chase District Council in accordance with the requirements of the Code of Audit Practice on 30 November 2020.

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## Working with the Council

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote working arrangements and remote auditing. This entailed remote accessing financial systems, video calling, sharing screens to review working papers. Consequently, more time was required to discuss and resolve audit queries and review audit work. All information and explanations requested from management was provided.

The audit team note their thanks to the finance team for the provision of working papers, evidence and explanations in what has been an exceptional year.

Grant Thornton UK LLP  
March 2021

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1,375,000, which is 2% of the Council's gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration disclosures, at £100,000.

We set a lower threshold of £69,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>COVID-19</b></p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <p>Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</p> <p>Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</p> <p>Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</p> <p>Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</p> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>Engaged with management to understand the impact of the Covid-19 pandemic on the organisation's ability to prepare the financial statements, update financial forecasts and assessed the implications on our audit approach</li> <li>Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>Evaluated the adequacy of the disclosures in the financial statements, in light of the Covid-19 pandemic.</li> <li>Evaluated whether sufficient audit evidence using alternative approaches was obtained for the purposes of our audit whilst working remotely</li> <li>Evaluated whether sufficient audit evidence was obtained to corroborate significant management estimates, such as asset valuations, recovery of receivable balances and estimation of pension liability</li> <li>Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> </ul>	<p>The Council updated its internal controls in light of COVID-19, in light of increased home and remote working. The finance team was able to demonstrate updated process notes which had been adapted for remote working. For example in relation to journals, accounts payable and accounts receivable processes. We were able to obtain sufficient evidence, by working with the finance team remotely.</p> <p>Management updated the Council's financial plans, identified the key risks and potential planned mitigations in relation both income losses and cost pressures arising from the pandemic. Significant disclosures were included in the narrative report setting this out in high level detail. We considered the impact on going concern in detail, held discussions with management and reviewed supporting evidence. Through these procedures we gained reasonable assurance that the Council remained a going concern.</p> <p>There were no material errors or other matters to report arising from the COVID-19 risk.</p>



# Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p>The council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the amounts involved and the sensitivity of this estimate to changes in key assumptions. We also noted that the Council's external valuer, similar to many other local authority PPE valuers, included a material valuation uncertainty note within their valuation report in light of the COVID-19 pandemic.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>wrote to the council's PPE valuer to confirm the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of, the Council's valuer's report and the assumptions that underpin the valuation</li> <li>tested revaluations made during the year to see if they had been input correctly into the council's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> </ul>	<p>Our audit work did not identify any issues in respect of valuation of land and buildings in respect of the assumptions and methodologies applied in deriving the estimate.</p> <p>We identified that the Council's valuer included to a material valuation uncertainty paragraph in their valuation report. In response to this matter, the Council has included additional disclosures in its final accounts as an audit adjustment. We included an emphasis of matter in our audit opinion to highlight this material valuation uncertainty.</p>

# Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of net pension liability</b></p> <p>The council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£61.7m in the Council's Balance Sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability was not materially misstated; and evaluated designs of associated controls</li> <li>• evaluated instructions issued by management to the Council's actuary (management's expert) for this estimate and considered the scope of the actuary's work</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension assets and liabilities valuation</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability</li> <li>• tested the consistency of the pension assets and liabilities and related disclosures in the notes with the actuarial report</li> <li>• undertook procedures to confirm the reasonableness of actuarial assumptions made by the actuary, through reviewing the report of the auditor's actuary (as auditor's expert) and performing any additional procedures suggested therein; and</li> <li>• obtained assurances from the auditor of Stafford Pension Fund regarding controls affecting the validity and accuracy of the pension fund's membership, contributions, benefits data and asset valuations data</li> </ul>	<p>We undertook a number of additional procedures during the course of auditing the pension liability in response to both Council specific assumptions and sector wide developments. We raised additional queries regarding: source data used by the actuary; significant movements in pension assets and liabilities relating to experience items; the impact of the McCloud remedy; and additional challenge of specific assumptions made by the actuary.</p> <p>We also engaged further with the pension fund where necessary - through the finance team - to further understand these matters. We made further enquiries with the actuary and met with the actuary. Through these procedures, were able to resolve our queries satisfactorily to gain reasonable assurance over the net pension liability.</p>

# Audit of the Financial Statements

## Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals and discussed with management the journal posting and authorisation process</li> <li>• analysed journals listings and determined a risk based criteria for selecting high risk or unusual journals for detailed review and testing</li> <li>• tested a sample of unusual journals recorded during the year for appropriateness and corroboration, on a risk based approach</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>	<p>There were no significant changes to the Council's processes in relation to journals during the year, or the assumptions and methodology used in relation to significant accounting estimates. No unusual transactions were identified during the course of our audit.</p> <p>Our audit work did not identify any issues in respect of management override of controls.</p>

# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 30 November 2020.

## **Preparation of the financial statements**

The Council presented us with draft financial statements in July in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the Council's Audit and Accounts Committee on 30 November 2020.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in July.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## **Whole of Government Accounts (WGA)**

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold on 30 November 2020.

## **Other statutory powers**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. No such use of powers were deemed necessary as part of the 2019/20 audit.

## **Certificate of closure of the audit**

We certified that we have completed the audit of the financial statements of Cannock Chase District Council in accordance with the requirements of the Code of Audit Practice on 30 November 2020.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

# Value for Money conclusion

Risk identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Delivery of financial plans and future sustainability</b></p> <p>Cannock Chase District Council has experienced reductions in grant funding and limited increases in its council tax and business rates precept income in recent years.</p> <p>At the same time, the council has been experiencing cost pressures in relation to the range of services it delivers and uncertainty over future funding. The council is nevertheless obligated, under statute, to set a balanced budget for each financial year and has an internal policy to maintain positive reserves and deliver its efficiency plan.</p> <p>Our view is therefore that delivery of financial plans and future sustainability was a key Value for Money risk in 2019/20. This risk is linked mainly to sustainable resource deployment and to a lesser extent, the informed decision making VfM criteria.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• Review performance in the period by comparing outturn position to budgeted for revenue and capital budgets, as well as assessing any achievement or shortfall of savings targets where applicable</li> <li>• Made enquiries with key officers to understand processes in place for future medium term financial planning; and reviewed underlying documentation to ensure assumptions were reasonable</li> <li>• Considered management's responses to the level of overpayments in respect of Housing Benefits, which was subject to an internal audit review during the year</li> <li>• Considered the impact of COVID-19, the council's planned mitigations and adequacy of central government funding to offset the impact</li> </ul>	<p>The Council had reported an adverse (net) expenditure variance of £76,000 in 2019/20 against the planned revenue budget for the year. Performance against budgets were reported to cabinet on a monthly basis and the year-end variances against expenditure budgets for each portfolio were, on average, between 1-6% within budget. This indicates effective financial planning and budgetary controls. Variances against income budgets were on average 10%, reflecting higher income levels being subject to variation in service user demand.</p> <p>The Council had set a balanced budget for 2019/20 and transferred £292,000 at the end of the year from its working balance. This was slightly higher than the planned budgeted contribution of £227,000. We note that the Council was compliant with its own internal policy to maintain a general fund balance at a minimum of £1m, having achieved the required minimum general fund balance of £1m at the end of 2019/20. We also noted that income from business rates was higher than anticipated during the year. This was due to an increase of £800K due to a change in the distribution methodology.</p> <p>The capital programme outturn indicates that the council had planned capital works of £1.5m, with actual spend coming in below that level, at £1.1m. The variance was mainly due to slippage against schemes such as Hawkes Green and vehicles ordered for the Environmental services which were not yet delivered at year end. These schemes and the associated capital expenditure are expected to recommence in 2020/21.</p> <p>Cannock Chase District Council had a medium term financial plan in place during 2019/20. However the plan was superseded by the unanticipated impacts of the COVID-19 pandemic. The financial impact of COVID-19 was, to a large extent, delayed until the 2020/21 financial year as lockdown commenced towards the end of the 2019/20 financial year. The Council's management acted relatively quickly to update its three year financial plan in light of COVID-19 and at the time the external audit concluded, had put in place clear further mitigations.</p> <p>At the time of completing the audit, the latest plans had been reported to Cabinet in November 2020, indicating significant cost pressures and income shortfalls. The combined impact of COVID-19 for 2020/21 is estimated to be £3.4m in a worst case scenario and £1.1m in a best case scenario. This is partly offset by a significant balance of government funding allocated to the Council in 2020/21 to mitigate the impact. The Council also has access to PwLB borrowing within its capital financing requirements. We note that the Council is likely to require use of its earmarked reserves in 2020/21 and its working balances 2021/22, and has identified need for efficiencies each of these years; there is also continued uncertainty about future levels of government funding.</p> <p>Based on our work, we were satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources in 2019/20. We highlighted that the impact of COVID-19 could be significant for the Council and that the future models of funding in Local Government remained uncertain. Cannock Chase District Council therefore faces significant challenge in the medium term. We therefore continue to monitor this risk closely going forward.</p>

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. Provision of non-audit services are detailed on the next page.

### Reports issued

Report	Date issued
Audit Plan	6 March 2020
Audit Findings Report	26 November 2020
Annual Audit Letter	25 March 2021

### Fees

	Planned	Actual fees
	£	£
	47,624	57,148

### Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £40,124 assumed that the scope of the audit did not significantly change. There are a number of areas where the scope of the audit has changed, which led to additional work and consequently additional fees were agreed with the Council. These are set out in the following table.

Fee variations are subject to PSAA approval.

Area	Reason	Fee variation proposed
<b>Raising the bar</b>	The Financial Reporting Council (FRC) had highlighted that quality of work by all audit firms needed to improve further across local audit. This required additional supervision and leadership of audit teams, as well as additional procedures to enable further challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	2,500
<b>Pensions – IAS 19</b>	FRC had also highlighted that the quality of work by audit firms in respect of IAS 19 and pension assets/liabilities needed to improve across local government audits. Accordingly, we increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,750
<b>PPE Valuation – work of experts</b>	As above, the Financial Reporting Council had highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We increased the volume and scope of our audit work to reflect this.	1,750
<b>New standards &amp; developments</b>	Limited additional work was required for IFRS16 implementation and corresponding disclosure required in 19/20 under IAS8 in respect of IFRS16 as a standard issued but not yet adopted.	1,500
<b>Additional complexity and delays due to Covid-19 and remote auditing</b>	Covid-19 has had a significant impact on the council's external audit. It has necessitated updating of audit planning; enhanced challenge of management's assumptions, estimates and forecasts; financial resilience assessment and remote auditing. This significantly increased time taken on the audit. We understand from discussions with the ICAEW that this is similar to other firms.	9,524
<b>Total</b>		£17,024

## A. Reports issued and fees continued

### Fees for non-audit services

Service	Planned Fees £ (ex. VAT)
<b>Audit related services</b>	
- Housing benefit subsidy claim certification - 2019/20 planned fee	£15,500
- Housing benefit subsidy claim certification – 2018/19 actual fee	£16,500
- Certification of Housing Capital receipts grant 2019/20	£2,500
<b>Non-audit related services</b>	
- None	

### Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.





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# Audit Progress Report and Sector Update

Cannock Chase District Council

25 March 2021



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# Introduction



**John Farrar**

**Engagement Lead**

T: 0151 224 0869

E: John.Farrar@uk.gt.com



**Hamze Samatar**

**Engagement Manager**

T: 0116 257 5585

E: Hamze.MHA.Samatar@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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 March 2021

## Financial Statements Audit 2019/20

We completed our audit of the 2019/20 Statement of Accounts and issued our audit opinion on 30 November 2020.

## Financial Statements Audit 2020/21

We began planning of the 2020/21 audit in February and will issue a detailed Audit Plan, setting out our proposed approach to the audit of the Council's 2020/21 financial statements to the Audit and Governance Committee, in June 2021.

Our interim fieldwork will include:

- updated review of the Council's control environment
- updating our understanding of the Council's financial systems
- reviewing Internal Audit reports on core financial systems and minutes of key Council meetings
- early work on emerging accounting issues
- 2020/21 Value for Money risk assessment

We will update the Committee of our progress at the April meeting and bring an Audit Plan to the June meeting of the Audit and Governance Committee.

## Value for Money

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. Please see page 14 for more details.

# Progress at March 2021 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is ongoing and we plan to be able to complete by mid-April 2021. We will report our findings to the Audit and Governance Committee in our Certification Letter at the earliest subsequent meeting.

### Meetings

We met regularly with Finance Officers throughout the 2019/20 audit and as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We will continue to meet regularly with senior officers in 2021, including the Chief Accountant and S151 Officer.

### 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 the first quarter of 2021, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 was the second year of that contract. Since that time, there were 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 had highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needed to improve. There was 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. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

We reviewed the impact of these changes on both the cost and timing of audits. We are in discussions about this with your S151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated with the Audit and Governance Committee through the Audit Plan, Audit Findings Report and Annual Audit Letter.

We have proposed a final fee for the 2019/20 financial statements and VFM audit of £57,148 in our Annual Audit Letter.

We will be discussing with your S151 Officer our planned fees for 2020/21 and will provide an update to subsequent meeting of the Audit and Governance Committee.

# Other certification work undertaken

## Pooling of Housing Capital Receipts

### Background

The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme.

Use of receipts arising from the disposal of housing assets (i.e. generally assets held under Part II of the Housing Act 1985 and for which account is made in the Housing Revenue Account (HRA)) is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) ("the regulations"). The regulations require that, in short:

- a. receipts arising from Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government;
- b. receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the regulations).

The 2019/20 pooling return is an annual return generated by local authorities showing the breakdown of the various elements of the housing capital receipts.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by MHCLG. On conclusion of our work we are required to submit the Council's final pooling return, supported by four workbooks (one for each quarter) along with our signed Reporting accountant's report directly to MHCLG.

### 2019/20 findings

From the testing undertaken no exceptions were identified.

Our Reporting Accountant's report was submitted on 15 March 2021.

### Fee

A fee was agreed for this work of £2,500. This was disclosed to you separately in our 2019-20 Audit Findings Report at the November 2020 Audit and Governance Committee, along with the reasons as to why we consider delivery of this non-audit service does not present a threat to our independence as the Council's external auditor.



# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b> Confirming audit fee for 2019/20.</p>	April 2020	<b>Complete</b> - as noted on page 5 we discussed proposed variations to the Council's audit scale fee with the S151 Officer in the first instance. We have now reported our final proposed fee in the Annual Audit Letter.
<p><b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit and Accounts 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.</p>	March 2020	<b>Complete</b> – taken to the Audit and Accounts Committee in June 2020. Delayed due to cancelled Audit and Accounts Committee meetings in March 2020, due to the Covid-19 pandemic.
<p><b>Interim Audit Findings</b> We report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	June 2020	<b>Complete</b> – taken to the Audit and Accounts Committee on June 2020.
<p><b>Audit Findings Report</b> The final Audit Findings Report was reported to the November Audit and Accounts Committee.</p>	July 2020	<b>Complete</b> – taken to the Audit and Accounts Committee on 30 November 2020. Missed planned date due to changes in the deadlines due to Covid-19.
<p><b>Auditor's Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	<b>Complete</b> – issued on 30 November 2020. Missed planned date due to changes in the deadlines due to Covid-19 and slippage on the audit due to difficulties of remote working.
<p><b>Annual Audit Letter</b> This letter communicates the key issues arising from our work and is issued on an annual basis.</p>	December 2020	<b>Complete</b> – issued on 25 March 2021. Missed planned date due to changes in the deadlines due to COVID-19, slippage on the audit due to difficulties of remote working and audit team sickness. NB: the Annual Audit Letter can only be issued to Audit and Governance Committee after completion of the external audit.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2020/21.</p>	April 2020	Complete - for PSAA appointments, auditors no longer need to send fee letters to audited bodies. For 2020/21 audits onwards PSAA notify audited bodies of their audit scale fee directly. This letter was circulated by PSAA to audited bodies in April 2020. The baseline 2020/21 audit scale fee is £40,124 for Cannock Chase District Council.
<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 an opinion on the Council's 2020-21 financial statements, provide a commentary on the Council's Value for Money arrangements and any associated recommendations.</p>	June 2021	Not yet due
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	July 2021	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the September Audit and Governance Committee.</p>	TBC	Not yet due
<p><b>Auditor's Report</b></p> <p>This is the opinion on your financial statements.</p>	TBC	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This letter communicates the key issues arising from our work, including a commentary on the Council's value for money arrangements.</p>	TBC	Not yet due

# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

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 improvements in 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 three specified reporting criteria. These are as set out below :



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# Revised auditing standard 540: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Accounts Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals, including the prescribing accrual
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

### Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate;, and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit and Accounts Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Accounts Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below :

Public Sector

Local  
government



# New NAO Code of Audit Practice for 2020-21

The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020-21. The key change is an extension to the framework for VfM work.

The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VfM work needs to be performed.

Public consultation on this ended  
2 September 2020.

The new approach to VfM re-focuses the work of local auditors to:

- promote more timely reporting of significant issues to local bodies;
- provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas;
- provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- provide clearer recommendations to help local bodies improve their arrangements.

Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO – governance; financial sustainability and improving economy, efficiency and effectiveness.

A new Auditor's Annual Report presented at the same time as the audit opinion is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



The '**Commentary on arrangements**' will include a summary under each of the three specified reporting criteria and compared to how the results of VfM work were reported in previous years, the commentary will allow auditors to better reflect local context and also to draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself. The commentary will not simply be a description of the arrangements in place, but an evaluation of those arrangements.

**Recommendations:** Where an auditor concludes there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.

**Progress in implementing recommendations:** Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily

**Use of additional powers:** Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this needs to be reported in the auditor's annual report.

**Opinion on the financial statements:** The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements. This is not a replacement for the AFR, or a verbatim repeat of it – it is simply a summary of what the opinion audit found

The new approach is more complex, more involved and will subsequently increase the cost of audit. We will be discussing this with the Chief Operating Officer shortly.

To review the new Code and AGN03 click [here](#)



# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit and Accounts Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

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# The Redmond Review

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## MHCLG Response

On 17 December 2020, MHCLG published its response. The department has grouped its response into 5 themes covering the 23 recommendations in the Redmond Review:

- a. Action to support immediate market stability
- b. Consideration of system leadership options
- c. Enhancing the functioning of local audit, and the governance for responding to its findings
- d. Improving transparency of local authorities' accounts to the public
- e. Action to further consider the functioning of local audit for smaller bodies

## Further responses

- MHCLG is giving further consideration to some of the Redmond recommendations, with a further response anticipated in Spring 2021 including in relation to a single lead regulator for local public audit.
- The proposed deadline for 2020/21 and 2021/22 audits is 30 September.
- £15m additional funding to be provided in recognition of rising audit costs and the introduction of the standardised statement of service information and costs.

A copy of the full MHCLG response can be found on this link:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>



# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

## Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

## Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

# Kickstarting Housing – Grant Thornton and Localis

In July 2020 Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

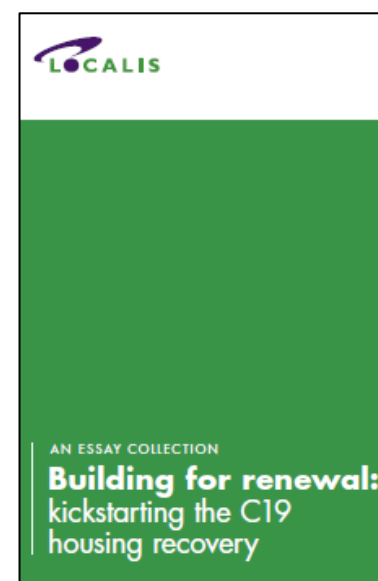
Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.
- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.
- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

• Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all, a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind key workers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

# Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) a report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

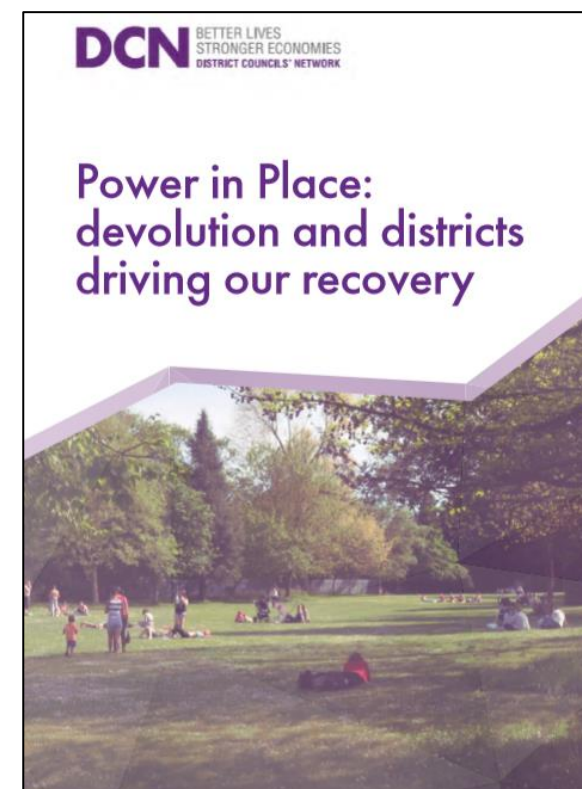
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>





# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding of tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>



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