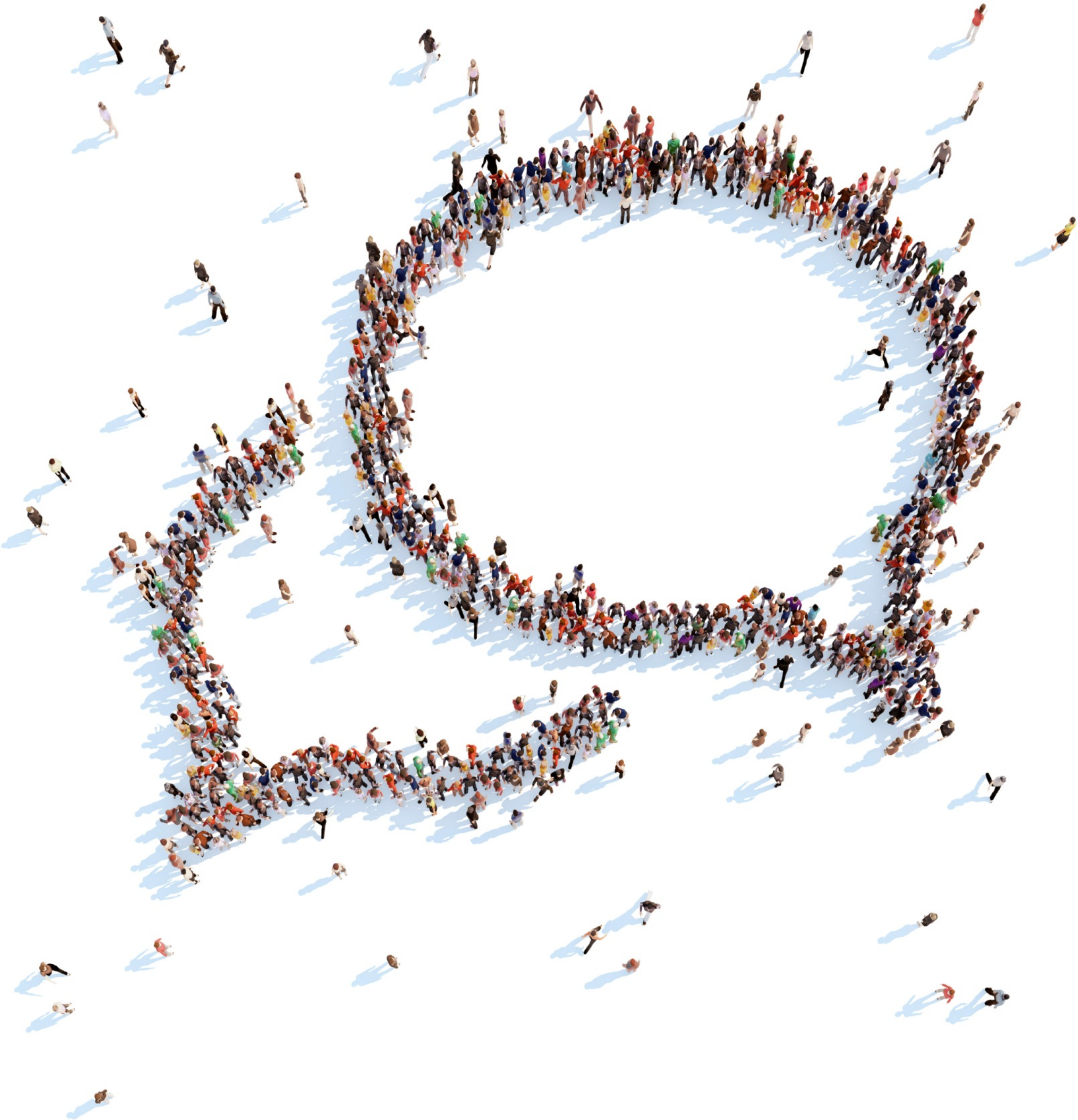
Annual Audit Letter

Tameside Metropolitan Borough Council

Year ending 31 March 2020



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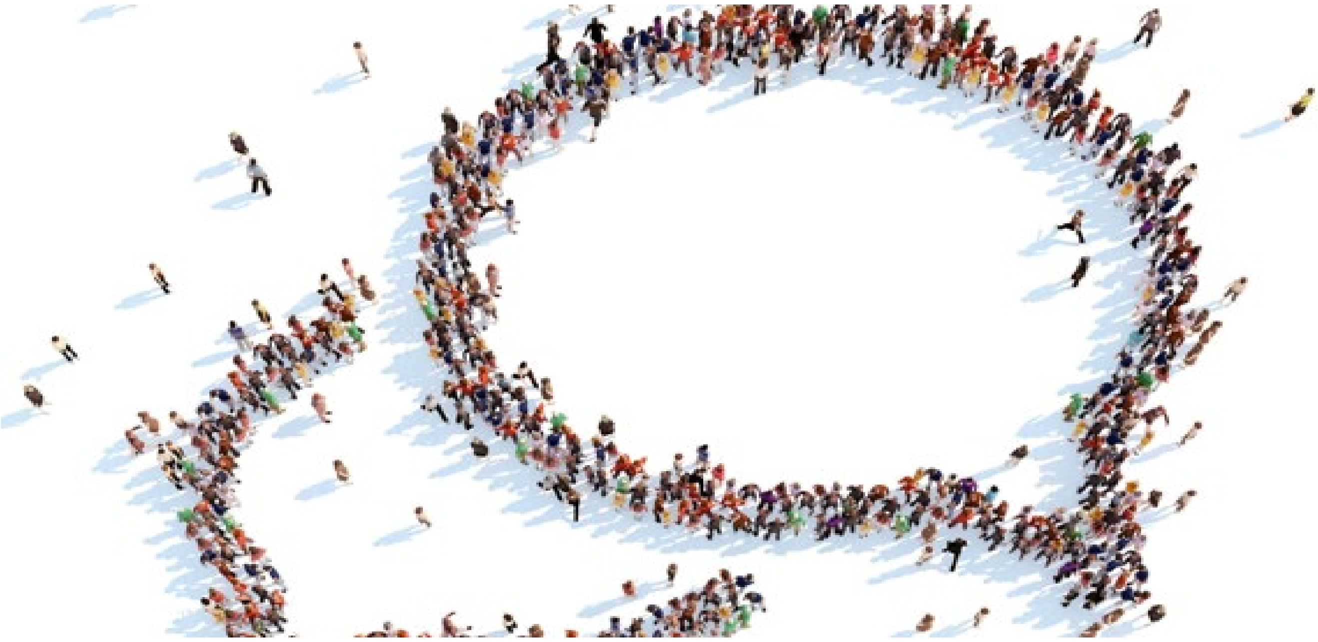

Contents

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1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Tameside MBC (the Council) and for Greater Manchester Pension Fund for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	Our auditor's report issued on 24 February included our opinion that the financial statements for Council: • give a true and fair view of the Council's financial position for both as at 31 March 2020 and of the expenditure and income for the year then ended; and • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. Our auditor's report issued on 24 February included our opinion that the financial statements for Greater Manchester Pension Fund: • give a true and fair view of the financial transactions of Greater Manchester Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and • have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	Our auditor's report included our opinion that: • the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	Our auditor's report concluded that we are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
Reporting to the group auditor	In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's WGA return. Our report was issued on 23 June 2021.
Statutory reporting	Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.

2. AUDIT OF THE COUNCIL'S FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council, and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended. Our report included an emphasis of matter in relation to valuation uncertainty relating to the Council's property portfolio as well as their relevant share of property assets held by the LGPS Pension Fund reflected in the Council's IAS19 entries.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to those charge with governance. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure.	£11.97m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.359m
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: Senior Officer Remuneration.	£0.005m

Our response to significant risks (Cont)

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Panel within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	How we addressed this risk	Our findings and conclusions
Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits	We addressed this risk through performing audit work over: • Accounting estimates impacting on amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	We did not identify any significant matters arising from our testing of management override of controls.

Our response to significant risks (Cont)

Identified significant risk	How we addressed this risk	Our findings and conclusions
Valuation of Property, Plant, and Equipment The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle with investment properties revalued annually. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.	We addressed this risk through our audit work as we: • Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations; • Considered whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, and the CIPFA Code of Practice; • Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third party evidence; • Considering whether the valuation changes in 2019/20 are consistent with evidence of changes in industry published indices of changes in build costs; • Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer; and • Tested a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements.	We completed our testing in relation to this risk, and an emphasis of matter was included in our auditor's report relating to the material valuation uncertainty as a result of the Covid-19 pandemic.

Our response to significant risks

Identified significant risk	How we addressed this risk	Our findings and conclusions
Valuation of Defined Benefit Pension Liability The net pension liability represents a material element of the Council's balance sheet. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances.	We addressed this risk through our work as we: • Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's actuary, Hymans Robertson; • Liaised with the auditors of the Greater Manchester Pension Fund and obtained assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations for the Council. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and • Agreed the data in the IAS 19 valuation reports for the Council provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. • In addition, we considered revised actuarial reports obtained by the Council to address the remedy for the 'McCloud' case and the potential impact of the 'Goodwin' case on the Council's liability in 2019/20. The Council amended the pension accounting entries and disclosures in the Council's financial statements in response to the revised report.	We completed our testing in relation to this risk, and an emphasis of matter was included in our auditor's report relating to the material valuation uncertainty related to the property assets held by the pension fund as a result of the Covid-19 pandemic. There were no other matters arising from our work in relation to this risk.

Our response to enhanced risks (Cont)

Identified enhanced risk	How we addressed this risk	Our findings and conclusions
Valuation of Airport Shareholding The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited (MAHL) at 31 March 2020. The valuation is determined under IFRS13 applying a consistent methodology to previous and applying key assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.	Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Mazars in-house valuation team. The Mazars in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used. We reviewed the calculation of the valuation by the Council's external valuation expert in light of the update financial information available in July 2020 from the published MAHL financial statements for the year to 31 March 2020.	We have completed our procedures and there are no matters arising against the valuation of the Council's investment in MAHL.
Completeness and Accuracy of Property, plant and equipment (PPE) – Transition to new Fixed Asset Register	We performed audit procedures to gain assurance over the completeness and accuracy of the transition of data to the new fixed asset register. We have: • Gained an understanding of the approach and processes being used by management; • Obtained and reviewed management's reconciliations of data between systems; • Performed testing to ensure balances in the 2019/20 fixed asset register agree with the reconciliation data provided ; and • As part of our testing of PPE agreed the underlying data used by the Council's valuation expert.	We have completed our procedures and there are no matters arising
Accounting for Schools The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation.	We will consider the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code and other sector guidance.	We have completed our procedures and there are no matters arising against the treatment and accounting for schools in the Council's accounts.

2. AUDIT OF THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to Greater Manchester Pension Fund, and whether they give a true and fair view of the fund's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Pension Fund's financial position as at 31 March 2020 and of its financial performance for the year then ended. Our report included an emphasis of matter in relation to valuation uncertainty relating to the property assets held by the Pension Fund.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to those charge with governance. We call this our trivial threshold.

Financial statement materiality	Our financial statement materiality is based on 1% of Net Assets	£220.3m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£6.6m
Specific materiality	We have applied a lower level of materiality to the fund account based on 10% of benefits payable.	£86.0m

2. AUDIT OF THE PENSION FUND'S FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Panel within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	How we addressed this risk	Our findings and conclusions
Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk through performing audit work over: • Accounting estimates impacting on amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	We did not identify any significant matters arising from our testing of management override of controls.

2. AUDIT OF THE PENSION FUND'S FINANCIAL STATEMENTS

Our response to significant risks

Identified significant risk	How we addressed this risk	Our findings and conclusions
Valuation of unquoted investments for which a market price is not readily available The fair value of investments which are not quoted on an active market is a significant and material item within the Net Assets Statement, and account for over 20 per cent of net investment assets. The values included in the accounts are based on externally generated professional valuations, Net Asset Values, or capital statements. This results in an increased risk of material misstatement	We addressed this risk by completing the following additional procedures: • agreed the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • considered and agreed the assumptions used by independent property valuer were appropriate when determining the values which have subsequently been reflected in the Net Assets Statement; • assessed the competence and experience of management's experts including the custodian; • agreed the investment manager valuation to audited accounts or other independent supporting documentation, where available; • where audited accounts were available, check that they were supported by a clear opinion; and • where available, reviewed independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.	We have completed our procedures in respect of this risk.

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified

Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

informed decision making;

sustainable resource deployment; and

working with partners and other third parties.

Our auditor's report stated 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 ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The arrangements in place to manage this risk are appropriate and effective. The Council has arrangements in place to comply with the principles and values of sound governance. The Council is geared towards acting in the public interest, with the decision making process being underpinned by appropriate, timely, and reliable financial information. The Council maintains a sound system of internal control.	Yes
Sustainable resource deployment	The arrangements in place to manage this risk are appropriate and effective. The planned use of the financial resources of the Council supports the strategic priorities and maintaining the statutory functions. Assets are managed and utilised in such a way to facilitate meeting these priorities and functions. The workforce is deployed in such as way as to make this possible.	Yes
Working with partners and other third parties	The arrangements in place to manage this risk are appropriate and effective. The Council has put in place management and oversight functions to ensure that the work carried out with third parties helps achieve strategic priorities. This includes the effective commissioning of services where required. The commissioning and procurement functions of the Council support the delivery of strategic priorities.	Yes

Significant risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant risk. The work we carried out in relation this risk is outlined below.

Risk	Work undertaken	Conclusion
Financial sustainability The Council has identified and set out the financial challenges it faces over the period 2019/20 to 2023/24. Though not unique to Tameside, they do present a significant audit risk in respect of considering the arrangements that the council has in place to deliver financial sustainability over the medium term.	We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience. Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans, and in the context of the emerging impact of the COVID-19 pandemic. **Findings** The net revenue budget requirement for the Council for 2019/20 was set at £196.803m, with gross revenue expenditure being £526.188m. In setting this budget, the Council planned to use £9.3m of reserves to support the provision of services after the delivery of identified savings plans. The Council was able to deliver the programme to a net overspend on revenue of £0.013m, though this was achieved as a result of several significant non recurrent financial interventions, including one-off savings and additional one-off income. However, this did mitigate against the need for any additional use of reserves than was originally planned. The Council faces a significant challenge in ensuring its financial sustainability over the medium term. This challenge, which is exacerbated by the Covid-19 situation, has been developing over several years. In addition, the Council continues to face financial pressures arising from demand in some services, most notably Children's services which saw an £8.4m overspend against budget in 2019/20. In setting the 2020/21 budget, the Council made a number of decisions including the planned the use of a further £12.4m of reserves and use of the dividend income from Manchester Airport to support services in the year. The budget also required the Council to deliver savings in areas including Children's services, in order to mitigate the growing demand led financial pressures.	We conclude that the Council has proper arrangements to deliver financial sustainability in the medium term, but will have to respond to significant challenges in doing so.

Significant risks (Cont)

Risk	Work undertaken	Conclusion
Financial sustainability	However, the financial position for 2020/21 became significantly more difficult because of the COVID-19 pandemic. The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years. It is apparent that there are also significant additional cost pressures, particularly in delivering Social Care, and significant levels of lost income. The lost income relates to fees and charges, income from the Council's investments including that in the Manchester Airport Group, and an impact on the Collection Fund for both council tax and business rate income. The Council has continued to respond to the government's request for increasingly detailed financial information in monthly returns and is therefore tracking its position closely. The arrangements in place at the Council for budget setting and updating the Medium Term Financial Plan (MTFP), provide a clear financial framework for the Council. However, they are impacted by factors outside of the Council's direct control including the: • delayed comprehensive spending / fair funding review; • impact of business rates reset; and • review of the business rates retention pilot. In identifying these uncertainties, management have made a series of assumptions that can be updated as information becomes available. Officers have prepared and presented to members a financial impact analysis highlighting the likely and significant funding gaps for each year in the period 2020/21 to 2025/26. Since a peak in the levels of reserves in 2016/17, the Council has continued to utilise reserves to support service delivery and as a result, these have been reduced. This has been monitored and managed as the Council has identified the savings and transformation plans to continue to deliver services to residents and service users. Although the Council still has significant levels of earmarked reserves as at 31 March 2020, these will not be sufficient to sustain the Council's financial position over the medium term given the estimated impact of the pandemic. This means the Council needs to ensure that the strategic decisions it has taken about its services it wants to provide are implemented and the savings it has identified as necessary are delivered. The arrangements in place for monitoring the financial position will allow the Council to identify any emerging additional pressures or slippage in the delivery of these plans. However, it is vital, given the scale of what has to be achieved, that management and Executive Members are held to account for delivery of plans. Without this, there is a risk the Council will not be in a position to take timely remedial action, particularly where the action requires consultation because it impacts workforce or the level and type of services the Council can provide for residents.	.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	**No matters to report**
Completion of group audit reporting requirements	**Consistent**
Other information published alongside the audited financial statements	**Consistent**

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no such objections in respect of the Council's accounts for the year ended 31 March 2020.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, We are finalised our work on this return on 23 June 2021 with the assistance of your officers.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the audit panel in 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

19/20 Proposed Final Fee - Council	£
Scale fee	80,863
Additional Fees:	
Changes in scope – Property Plant & Equipment Valuation Changes in scope – Defined Benefit Pensions Liability Valuation Changes in scope – COVID related Changes in scope – Other Changes in scope – VFM additional work on risk	8,700 4,350 3,000 1,000 3,150
Total proposed final fee	**101,063**

19/20 Proposed Final Fee – Pension Fund	£
Scale Fees	43,383
Additional fees	-
Total proposed final fee	**43,383**

* Final proposed fee to be confirmed with PSAA

Fees for other work

We confirm we have not undertaken any other work for the Council.

The fee for the Pension Fund does not include fees charged to the Fund for pensions assurance work undertaken at the request of employer's auditors for the year ended 31 March 2020. The total fees chargeable for this assurance are approximately £30,000 for 2019/20. The Fund is able to recharge these fees to the relevant employers. This is in line with the PSAA Terms of Appointment and the NAO's AGN01 General Guidance Supporting Local Audit.

6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- Financial sustainability: how the body plans and managers its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings are now be considered by the Ministry of Housing, Communities and Local Government. We look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

CONTACT

Karen Murray

Partner

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Daniel Watson

Senior Manager

Mobile: +44 (0)7909 985324

Email: daniel.watson@mazars.co.uk