

**MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**

**WEDNESDAY, 22 JULY 2020**

**ADDITIONAL PAPERS**

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# Audit Progress Report

## North West Leicestershire District Council

July 2020





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# 1. AUDIT PROGRESS

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor and also summarising key national publications that may be of interest to Members.

## Changes in accounts and audit timetable

In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local authorities, are required to publish draft and final accounts, and to remove the ‘common’ period during which local electors can inspect and object to local authority accounts.

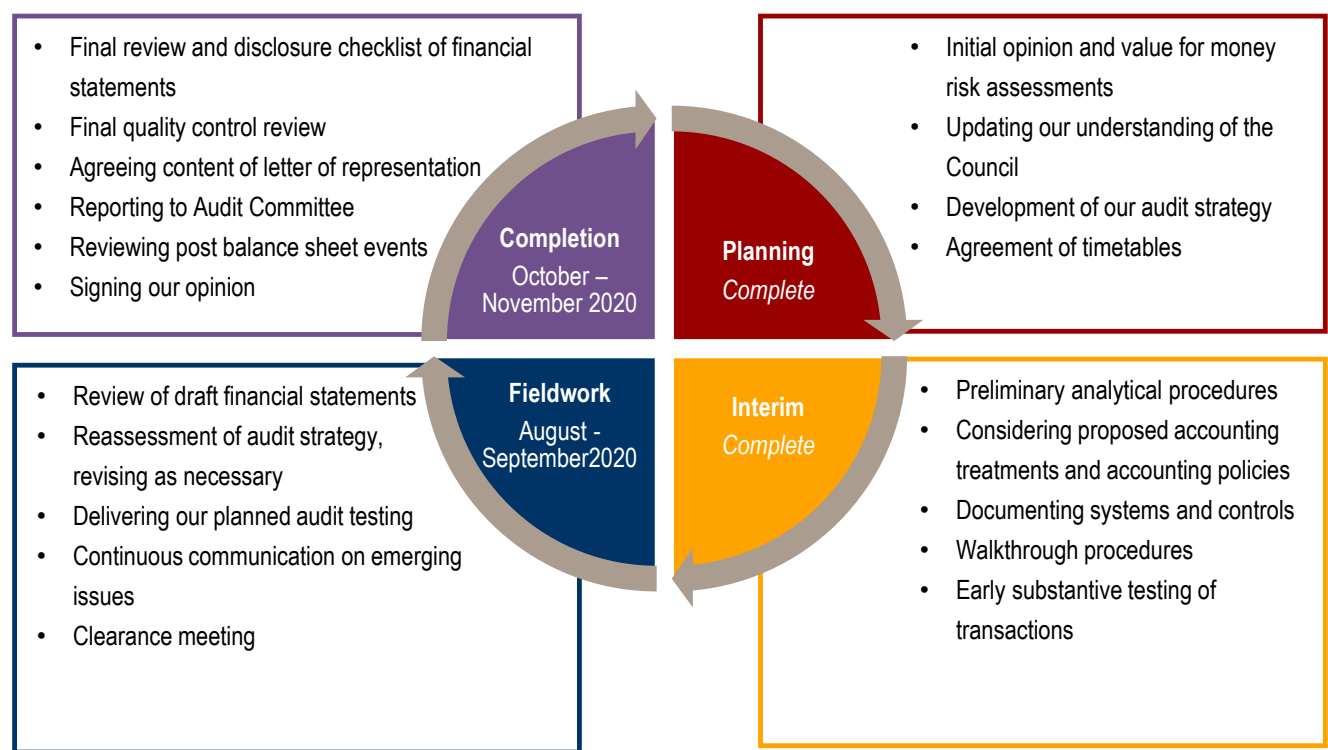
The key changes for publication of draft and final accounts are as follows:

- The deadline for authorities to publish draft financial statements moves from 31 May to **31 August 2020**.
- The deadline for publication of final (audited) financial statements moves from 31 July to **30 November 2020**.

The requirement for a ‘common’ inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019/20 authorities can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able.

## Progress to date

We have agreed dates to complete the audit fieldwork during August/September. We do not expect, however, to be able to conclude the audit until November. We rely on assurance from the pension fund auditor to support our work on pension assets and liabilities in the Council’s financial statements. The pension fund auditor has informed us that they will not commence their work until October. The table below updates the timetable from that included in our Audit Strategy Memorandum.



1. Audit progress

2. National publications

# 1. AUDIT PROGRESS

## Covid-19 Financial Reporting Issues

There are a number of key financial reporting issues arising as a direct result of Covid-19. As at the date of writing, the most significant are set out below and have been shared with management.

### Valuation of Land & Buildings

- RICS guidance has been issued which indicates that valuers are likely to conclude that there is “material uncertainty” over the valuation of land and buildings at the balance sheet date. We will need to consider the implications as part of our testing and conclusions.

### Financial Assets (receivables)

- Whilst the Government has introduced a number of measures to ease financial hardship, the Council will need to consider the impact on expected credit losses or the impairment of financial assets.

### Sources of estimation uncertainty, including pension fund assets and liabilities

- The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.

## Mazars response to the COVID-19 pandemic

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

### Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with regular economic briefings.

<https://www.mazars.co.uk/>

# 1. AUDIT PROGRESS

## Responding to changes – working with the Council

All Mazars' staff moved to remote working from 16 March 2020. We are committed to supporting the Council as best we can, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the accountancy and finance teams of the Council. We have maintained open communication throughout this period and will continue to do so.

We are able to carry out the audit remotely and have put in place arrangements to allow this; for example, regular video conference calls and a shared site for secure transfer of data. The key difference is we will not, subject to any changes, have a physical on-site presence. We have maintained communication via e-mail, and regular telephone and video conferencing calls and will continue to do so.

## Audit fee pressures arising from increased regulatory requirements

There will be an increased audit fee to reflect the increased level of work that was not considered when the scale fee was set.

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we perform on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment.

The regulatory pressures and consequential upward pressure on audit fees has been recognised by Public Sector Audit Appointments Ltd (PSAA Ltd) in its recent publications, notably as described in item 14 on page 13 of this report.

Our approach will be to assess the additional fee for the 2019/20 audit relating to these regulatory pressures during the audit fieldwork phase and to report the additional fee required to officers and Members when our fieldwork is complete. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the approval process.

We recognise that this is a different approach to previous years when fee levels were relatively certain in advance of the audit taking place, but this reflects the turbulence and change in the audit environment, as described by PSAA Ltd and others.



## 2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Financial Reporting Council and other regulators</b>		
1.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>		
2.	<b>Financial Scrutiny Practice Guide , 25 June 2020</b>	Guidance on financial scrutiny in local government.
3.	<b>CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020</b>	This is technical guidance for those preparing financial statements.
<b>National Audit Office (NAO)</b>		
4.	<b>Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020</b>	NAO Guidance for Audit and Risk committees during the pandemic.
5.	<b>Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020</b>	NAO report on addressing the issues with building cladding following the Grenfell fire.
6.	<b>Auditor Guidance Note (AGN) 03 – Auditors’ Work on Value for Money Arrangements, June 2020</b>	NAO consultation on the detailed new guidance for auditors in relation to VFM work from the 2020/21 audit.
7.	<b>Readying the NHS and adult social care in England for COVID-19, 12 June 2020</b>	NAO’s second publication considering the Government response to COVID-19.
8.	<b>Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020</b>	NAO report on managing PFI contracts.
9.	<b>Overview of the UK government’s response to the COVID-19 pandemic, 21 May 2020</b>	NAO’s first publication considering the Government response to COVID-19.
10.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.



## 2. SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
<b>Public Sector Audit Appointments (PSAA)</b>		
11.	<b>PSAA Publishes Findings of Audit Survey, 7 May 2020</b>	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
12.	<b>Independent analysis of the outcomes of electors' objections, 15 April 2020</b>	Analysis of objections.
13.	<b>News release: Q&amp;As, 9 April 2020</b>	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
14.	<b>2020/21 audit fee scale, 31 March 2020</b>	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
15.	<b>Independent review of the sustainability of the local government audit market, 4 March 2020</b>	PSAA publishes an independent review.
<b>Ministry for Housing, Communities and Local Government (MHCLG)</b>		
16.	<b>Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020</b>	Latest funding package to assist local government to deal with the impact of the pandemic.
17.	<b>Coronavirus (COVID-19): guidance for local government, 1 July 2020</b>	Summary of all the guidance available for local government.
18.	<b>Local authority COVID-19 financial impact monitoring information, 21 June 2020</b>	Summary of information gathered to assess the financial impact of the pandemic on local government.
19.	<b>Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020</b>	Lessons to be learned from Government intervention in local authorities.
20.	<b>Local government procurement: fraud and corruption risk review, 8 June 2020</b>	Local government procurement fraud and corruption risk review provides advice on how councils can strengthen their processes and implement prevention measures.
21.	<b>Emergency funding, 30 March 2020 and 28 April 2020</b>	Two tranches of emergency funding to support local authorities.
22.	<b>Councils given new powers to hold public meetings remotely, 3 April 2020</b>	Temporary powers to hold remote meetings.
23.	<b>Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019/20, 22 April 2020</b>	Extension of accounts and audit timetable.
<b>Local Government Association (LGA)</b>		
24.	<b>Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020</b>	A useful paper that highlights the key financial challenges from the pandemic, and the issues for medium term financial planning.
<b>House of Commons: Public Accounts Committee:</b>		
25.	<b>Local authority investment in commercial property</b>	Significant concerns over local authority approaches to commercial property investment

## 2. NATIONAL PUBLICATIONS

### 1. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

### 2. Financial Scrutiny Practice Guide, CIPFA (with the Centre for Public Scrutiny), 25 June 2020

CIPFA has released its guidance on Financial Scrutiny Practice, which is aimed at councils and councillors in England, and seeks to address how best to integrate an awareness of council finances with overview and scrutiny.

CIPFA reports that the impact of the pandemic means that council budgeting will need to be more focused on priorities and difficult choices for the foreseeable future. Therefore, the guide suggests ways to move budget and finance scrutiny beyond set-piece events that take place in December and quarterly financial performance reported to committees.

CIPFA also notes that effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust, sustainable, and takes into account the needs of residents.

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

### 3. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, Chartered Institute of Public Finance and Accountancy, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

## 2. NATIONAL PUBLICATIONS

### 4. Guide for audit and risk committees on financial reporting and management during COVID-19, 24 June 2020

The NAO has published a Guide for audit and risk committees on financial reporting and management during COVID-19. This guide aims to help audit and risk committee members support and challenge the organisations they work with in the following areas:

- Annual reports;
- Financial reporting;
- The control environment; and
- Regularity of expenditure.

In each section of the guide the NAO has set out some questions to help audit and risk committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

### 5. Investigation into remediating dangerous cladding on high-rise buildings, 19 June 2020

The NAO has published its report on the investigation into remediating dangerous cladding on high-rise buildings.

Following the Grenfell Tower disaster, the Ministry of Housing, Communities and Local Government (MHCLG) established the Building Safety Programme to ensure that residents of high-rise residential buildings are safe and feel safe from the risk of fire. In May 2018, MHCLG announced £400 million to fund the remediation of high-rise residential buildings with unsafe Aluminium Composite Material (ACM) in the social housing sector. In May 2019, a further £200 million was made available for the remediation of equivalent buildings in the private sector.

In May 2020, the Government announced a new £1 billion building safety fund to remove dangerous cladding from high-rise buildings. This brings the total funding for remediation to £1.6 billion.

The investigation examined how MHCLG is:

- assuring itself that it has correctly identified all the buildings which fall within scope of the Programme, and that they are being fully remediated;
- managing the pace of progress of remediation; and
- deciding which buildings qualify for remediation funding, and how it has assessed risks outside the scope of the programme.

Some of the findings from the investigation include:

- as at April 2020, 149 of the 456 buildings, 18 metres and over with unsafe ACM cladding have been fully remediated;
- the pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector;
- early signs are that the effect of COVID-19, and public health measures taken to limit its impact, have slowed down the pace of remediation; and
- more than a quarter of buildings yet to be remediated are concentrated in four local authorities.

<https://www.nao.org.uk/report/investigation-into-remediating-dangerous-cladding-from-high-rise-buildings/>

## 2. NATIONAL PUBLICATIONS

### 6. Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements, June 2020

The new Code of Audit Practice came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. The most significant changes to the new Code are in relation to auditors' work on value for money arrangements. NAO have decided to consult on the detailed statutory guidance that will support auditors to deliver work under the new Code.

NAO have now published its consultation seeking views on the draft 'Auditor Guidance Note (AGN) 03 – Auditors' Work on Value for Money Arrangements'. The consultation is open for a period of 12 weeks, with a closing date of 5pm on 2 September 2020.

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

### 7. Ready the NHS and adult social care in England for COVID-19, 12 June 2020

The NAO published its report Ready the NHS and adult social care in England for COVID-19 in June 2020.

This report is the second in a programme of work by the NAO to support Parliament's scrutiny of the UK government's response to COVID-19. It sets out the facts about government's progress in preparing the NHS and social care for the COVID-19 outbreak, with a focus on:

- actions set out in the 17 March letter to the NHS, and the 15 April action plan for adult social care. It also describes what is currently known about additional funding for health and adult social care;
- actions taken at a national level by those responsible for coordinating health, adult social care and local government in England; and
- the period from the start of the outbreak to at least the end of April, when the government announced that the UK was "past the peak". Depending on the data available at the time of writing, the NAO has provided information up to mid-May.

The report does not assess the value for money of the measures adopted by government or the effectiveness of its response. It uses a range of published and unpublished data, the latter requested from public bodies under the NAO's statutory audit powers.

<https://www.nao.org.uk/report/readying-the-nhs-and-adult-social-care-in-england-for-covid-19/>

### 8. Managing Private Finance Initiative (PFI) assets and services as contracts end, 5 June 2020

The NAO has published its report on Managing PFI assets and services as contracts end.

The report considers whether the government is making appropriate preparations to manage the expiry of PFI contracts. The report notes that there are currently 700 operational PFI contracts in the UK with a capital value of £57 billion. However, the study focuses on the 571 PFI contracts in England, excluding those for which responsibility lies with the devolved governments.

The report draws out the challenges and best practice that can most benefit those managing PFI contracts which are ending. Note that the report does not assess the potential impacts of the COVID-19 pandemic on the expiry of PFI contracts, as the fieldwork was conducted before the outbreak.

<https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/>

## 2. NATIONAL PUBLICATIONS

### 9. Overview of the UK government's response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

### 10. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### Audit of the financial statements

Auditors must still comply with underlying auditing standards.

#### Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
  - Financial sustainability
  - Governance
  - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### Auditor reporting

- Auditor's Annual Report introduced:
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

## 2. NATIONAL PUBLICATIONS

### 11. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psaa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

### 12. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

<https://www.psaa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

### 13. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psaa.co.uk/2020/04/news-release-qas/>

## 2. NATIONAL PUBLICATIONS

### 14. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

### 15. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

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

The TR 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 31st 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.

<https://www.psaa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>



## 2. NATIONAL PUBLICATIONS

### 16. Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic, 2 July 2020

On 2 July 2020, Government announced a major new support package to help councils respond to coronavirus as part of comprehensive plan to ensure councils' financial sustainability for the future.

Key features of the new package include:

- Government announces new comprehensive package of support to address spending pressures and in recognition of lost income;
- Further £500 million brings funding given to support local councils with pressures to £4.3 billion, part of a package of over £27 billion to help councils, businesses and communities; and
- New scheme will also reimburse councils for lost income and allow council and business rates tax deficits to be repaid over 3 years instead of one.

The announcement included statements that:

Recognising that councils are best placed to decide how to meet pressures in their local area, this funding has not been ringfenced.

In addition to this funding, a major new scheme introduced by the government today will help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.

Additionally, to enable them to get on the front foot and build much-needed breathing space into their budgets, the government is also bringing in changes so that they can spread their tax deficits over 3 years rather than the usual one.

Overall, in the last 6 months, government has worked closely with local authorities to understand their needs and provided more than £27 billion to help councils, businesses and communities through COVID-19.

At the time of writing, further detail is awaited in relation to this announcement.

<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressure-and-cover-lost-income-during-the-pandemic>

### 17. Coronavirus (COVID-19): guidance for local government, 1 July 2020

There is a wide range of Government Guidance that relates to local councils during the coronavirus (COVID-19) outbreak. MHCLG provides a comprehensive list of all guidance and keeps this updated at the attached link.

<https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

## 2. NATIONAL PUBLICATIONS

### 18. Local authority COVID-19 financial impact monitoring information, 21 June 2020

MHCLG is collecting data on the impact COVID-19 is having on local authority finances.

The purpose of the data collection is to help provide the government with information on the financial pressures experienced by local authorities as a result of the pandemic. The data collection, which is aimed at Finance Directors in 339 local authorities, is based on best estimates. Fire and rescue authorities and combined authorities are not included in the survey.

Information from local authorities were collected in mid-April and mid-May, and MHCLG plans to run the data collection on a regular basis, as the government continues its response to the pandemic. The data collected so far shows that the combined spending and income pressure at the end of May was £3.24 billion.

The detailed monitoring information (presented in excel format) is available here.

<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

### 19. Addressing cultural and governance failings in local authorities: lessons from recent interventions, 16 June 2020

MHCLG reports that based on its experience of supporting, and sometimes intervening in local authorities (LAs) experiencing difficulties, culture and governance at LAs are key to their success or failure. To support LAs in these areas, MHCLG has published a short guide which considers the lessons about LA culture and governance that can be learned from recent statutory and non-statutory interventions.

The key areas covered by the guide include:

- recognising indicators of poor culture and weak governance;
- addressing ineffective leadership (corporate and political);
- addressing poor behaviour across an authority; and
- strengthening scrutiny, transparency and whistle-blowing support.

<https://www.gov.uk/government/publications/addressing-cultural-and-governance-failings-in-local-authorities-lessons-from-recent-interventions/addressing-cultural-and-governance-failings-in-local-authorities-lessons-from-recent-interventions>

### 20. Local government procurement: fraud and corruption risk review, 8 June 2020

The government has published the findings from its review of fraud and corruption risks in local government procurement.

The review report focuses on the risks of fraud and corruption when councils procure and commission goods, works and services. The report notes that the effective management of risk in procurement is part of ensuring a well-led and risk-aware council, that manages its resources efficiently to secure value for money outcomes.

The report includes:

- case studies highlighting where fraud and corruption incidents have occurred;
- best practice examples for mitigating fraud and corruption risks; and
- suggested activities to improve the response to fraud and corruption risks in local government.

<https://www.gov.uk/government/publications/local-government-procurement-fraud-and-corruption-risk-review>

## 2. NATIONAL PUBLICATIONS

### 21. Emergency funding, *Ministry for Housing, Communities and Local Government*, 30 March 2020 and 28 April 2020

On 19 March 2020, the [government announced](#) £1.6 billion of additional funding for local government to help them respond to coronavirus (COVID-19) pressures across all the services they deliver.

A further £1.6 billion in additional funding was [announced](#) on 18 April 2020. This extra £1.6 billion takes the total given to councils to help their communities through this crisis to over £3.2 billion.

This document sets out the allocations for local authorities.

<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

### 22. Councils given new powers to hold public meetings remotely, *Ministry for Housing, Communities and Local Government*, 3 April 2020

The government has temporarily removed the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic. This will enable authorities to make effective and transparent decisions on the delivery of services for residents and ensure that local democracy continues to thrive.

<https://www.gov.uk/government/news/councils-given-new-powers-to-hold-public-meetings-remotely>

### 23. Coronavirus (COVID-19): letter to councils about extending the statutory audit deadlines for 2019 to 2020, *Ministry for Housing, Communities and Local Government*, 22 April 2020

Letter from the Ministry of Housing, Communities and Local Government informing local authority chief executives that:

- the publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies
- to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

<https://www.gov.uk/government/publications/coronavirus-covid-19-letter-to-councils-about-extending-the-statutory-audit-deadlines-for-2019-to-2020>

### 24. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

## 2. NATIONAL PUBLICATIONS

### 24. House of Commons: Public Accounts Committee: Local authority investment in commercial property

The Public Accounts Committee has expressed significant concerns over local authority investments in commercial property and has made a series of recommendations, including:

- Further strengthening of guidance and the prudential framework
- Further strengthening of local governance arrangements.

<https://publications.parliament.uk/pa/cm5801/cmselect/cmpubacc/312/31202.htm>

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