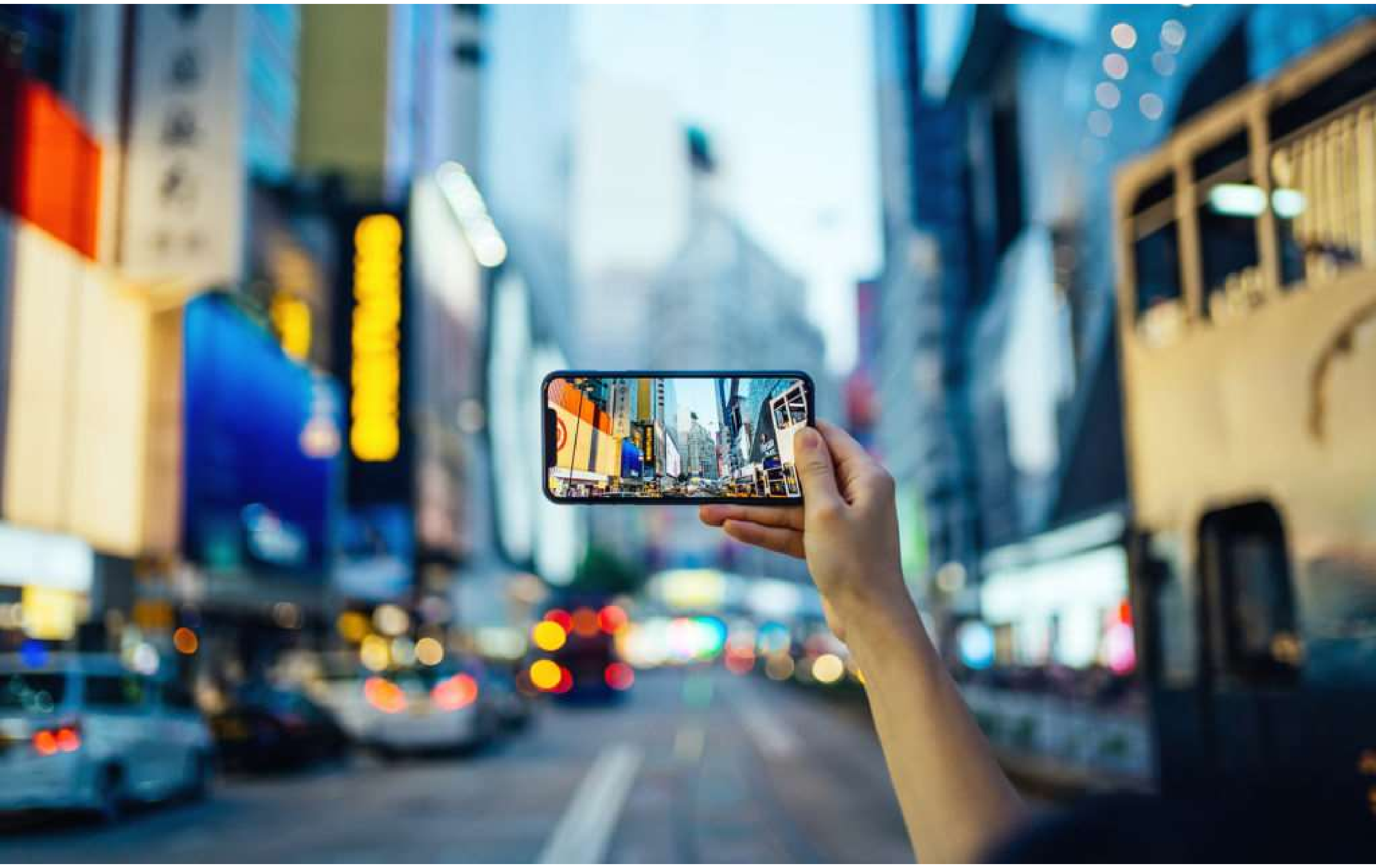
Annual Audit Letter

Ashfield District Council

Year ending 31 March 2020



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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 Ashfield District Council (the Council) 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	Assessment	Summary
Audit of the financial statements	● [Green]	Our auditor's report issued on 11 December 2020 included our opinion that the financial statements: • give a true and fair view of the Council's financial position as at 31 March 2020 and of its 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
Other information published alongside the audited financial statements	● [Green]	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	● [Green]	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	● [Green]	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 Whole of Government Accounts return.
Statutory reporting	● [Green]	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 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 National Audit Office and International Standards on Auditing. 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 auditor’s report was modified to include an emphasis of matters paragraph, drawing attention to the financial statement disclosure explaining that Covid19 had contributed to ‘material valuation uncertainty’ in the valuation of the Council’s land & buildings and investment properties and in the Council’s share of Nottinghamshire Pension Fund’s property assets.

2. AUDIT OF THE FINANCIAL STATEMENTS

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. We set materiality for the financial statements as a whole (financial statement materiality) and set 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 the Audit Committee. 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.	£1,715k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£51k
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts:	
	• Senior Officer Remuneration	£5k
	• Termination payments	£29k
	• Members Allowances	£90k
	• External Audit Fee	£9k

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks

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 Committee 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	Our response	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. Due to 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.	Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

Our response to significant audit risks

Identified significant risk	Our response	Our findings and conclusions
Valuation of property, plant and equipment Land and buildings are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area. This risk covers: - HRA Council Dwellings - Investment Properties - Other PPE related assets	We addressed this risk through performing the following audit work: • critically assessed the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • considered whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • assessed whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends; • critically assessed the treatment of the upward and downward revaluation movements 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 are 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 valuers; and • tested a sample of items of capital expenditure, disposals and reclassifications (where balances are material) to confirm that the amounts used and accounting treatment applied is appropriate in line with the CIPFA Code of Practice	The procedures we have undertaken have not identified to date any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention except for one adjustment made in regards to Investment Property revaluations. We identified a total of 2 assets, were incorrectly accounted for as gross (should be accounted net of stamp duty and legal costs) in regards to the upward/ downward revaluation movement at year-end. Resulting in an overstatement of assets as at 31st March 2020. Discussions were held with management and it was concluded than an adjustment of £581k was required. Refer to page 13 for the adjustments made. At the outset of the Covid19 outbreak, set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuers have followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has currently only been disclosed in the Critical Judgement note and an adjustment is required to the PPE Note for consistency. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B includes the 'emphasis of matter' paragraph we expect to include.

Our response to significant audit risks

Identified significant risk	Our response	Our findings and conclusions
Valuation of the Net Pension Liability The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	We addressed this risk through performing the following audit work: • critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; • liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and • agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.	The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements. Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration and how these findings may impact our audit opinion. An update will be provided to members as part of our Annual Audit Letter. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sergeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 was likely to have led to an overstatement of the pension fund liability as at 31 March 2020. Management has obtained an updated notification from the Actuary for these matters and no adjustment is required to the financial statements. A second emerging issue is the Goodwin case that was brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is misstated. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation and it is not reflected in the Statements. We will update the Audit Committee if any significant reporting issues emerge from these areas.

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks

Valuation of the Net Pension Liability – Update as per audit follow up letter

As discussed with you at the audit committee, the pension fund assurance letter was not received until 26 November 2020 leaving us insufficient time to review and complete our work.

The only additional matter that we need to report on is:

- The Pension Fund submitted asset information to the actuary as at 31 December 2019 and not 31 March 2020. The actuary then estimated asset investment returns as -7%, whereas the actual return for the period was -6.4%. The movement in asset values in the pension fund leads to an estimated £635k understatement of the Council's share of pension fund assets. This has been recorded as an unadjusted audit misstatement.

The only matter to bring to Members' attention is the 'material valuation uncertainty' in relation to Pension fund assets as disclosed within our Audit Completion Report.

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.

Significant audit 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.

When we perform our work, we consider whether there are any areas requiring additional audit attention as a "Significant Audit Risk", which we report to the Audit Committee prior to finalising our conclusion. For 2019/20, we identified the following significant risks to our VFM work:

- Financial Sustainability – Sustainable resource deployment
- Commercialisation of Investment Properties strategy – Informed decision making

Overall Conclusion

Our auditor's report stated that 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.

Description, planned response and work undertaken to date has been detailed on the following pages.

3. VALUE FOR MONEY CONCLUSION

Risk:	Financial Sustainability – Sustainable resource deployment
Description	The continued financial pressure that all Local Government bodies are facing; both locally and within the wider sector are well documented. There is an increased/ significant pressure on bodies to identify cost saving measures to ensure a balanced budget, whilst dealing with a significant decrease in grant funding and an increase in service demand. The Council have reviewed their budgets under their current medium term financial plan arrangements with the expectation of obtaining a balanced budget for 2020/21, whilst currently identifying a gap for the following financial years (although the Council has strategies in place going forward to address this gap). The budget is based on a number of assumptions and holds a level of risk to whether the Council will be able to generate additional revenues or deliver any cost savings that are crucial in order to meet and deliver the associated budget gap.
Planned response	We will critically review whether the Council has arrangements in place to ensure financial sustainability, specifically that the Medium Term Financial Plan (MTFP) has duly taken in to consideration the latest available information on factors such as: • funding reductions; • business rates reform; • fair funding; • salary and general inflation; • demand pressures • restructuring costs; and • sensitivity analysis given the degree of variability in the above factors. We will review the delivery of savings in 2019/20 and progress to identify savings for 2020/21 and future financial years, to understand and evaluate the financial impact on the Council's revenue reserves. We will also review any strategy's that the Council have in place to reduce the budget gap and ensure that theses appear reasonable and in line with the Council's expected activities.
Results	We performed the tasks in line with our planned response. We also reflected on the impact of Covid19, which was limited to the last two weeks of March 2020. The Council's revenue outturn for 2019/20 was a £2,666k underspend. Mainly through £4,330k additional income, offset by £1,721k additional spending on supplies and services. The variance on income was mainly through additional government grants, such as the Apprenticeship Levy and Rapid Rehousing Pathway, that will be matched to expenditure in 2020/21. Expenditure variances were mainly caused by contractor payments linked to additional grant income during the year. The Council's financial performance, as laid out in the 2019/20 financial statements, led to: • General fund reserves increasing from £6,116k to £6,713k • Earmarked revenue reserves also increasing, from £7,885k to £9,670k • The Council's Housing Revenue Account also remains positive with reserves of £36.871k as at 31 March 2020. The Council's MTFP was updated in February 2020 as part of the pre-Covid19 budget for 2020/21. It showed • *Projected general fund earmarked reserves for 2020/21 will be £8,842k, which sees a net contribution to reserves of £689k* • *Estimated funding gap for 2020/21 currently stands at £nil* The Council recognises the need to revisit the MTFP as a result of Covid19, including the profiling of expenditure reduction and income generation schemes.
Conclusion	We are satisfied that the Council's arrangements are adequate.

3. VALUE FOR MONEY CONCLUSION

Risk:	Commercialisation of Investment Properties strategy – Informed decision making
Description	The Council has identified the use of its capital and treasury activities as a way of establishing a new income stream and in turn obtaining additional revenue over a number of financial years. The Council has made a number of material purchases over the past 12 months (worth a total £39m), with the potential investment of around £23m in 2020/21 in addition to what has already been spent (£3.3m spent to date for 2020/21). Whilst the investment strategy is projected to deliver financial returns for the Council (both revenue and capital), the strategy represents a significant monetary value and exposure to risk that may have not been anticipated or carefully evaluated.
Planned response	We will critically review whether the Council has: • exposed itself to too much financial risk through its borrowing and investment decisions; • ensured that it has been mindful of changes in the accounting and regulatory environment when undertaking any sensitivity analysis as part of its investment decision making process; • ensured that an appropriate level of legal and due diligence work has been undertaken prior to making specific investment decisions; • responded appropriately to the revised Statutory Guidance on Local Government investments, to ensure that there is appropriate transparency to understand the exposure that the Council has a result of its borrowing and investment decisions; and • ensured that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.
Results	We performed the tasks in line with our planned response, which included a substantial level of professional challenge to management over the arrangements it had in place during 2019/20. We also reflected on the impact of Covid19, which was limited to the last two weeks of March 2020. As part of our findings, we noted: • Original Commercial property investment strategy has been updated for 2019/20. Document confirms strategy that was taken to Council and approved in September 2019. Strategy has been updated to take in to consideration new guidance available in the sector. Properties purchased in 2019/20, were purchased after the approval of this strategy. • The Council updated its yield net percentage when assessing the commercial return on a potential investment. The yield was reduced 1% to reflect the increase in borrowing rates from PWLB. This reduces the built0in risk premium to any investment, which has been, and will continue to be, stress-tested by Covid19. • The Audit Committee received training on Treasury Management by the external treasury management advisors Link in December 2019. The Audit Committee also receive performance reports on the Commercial Properties and both Audit Committee and Cabinet received reports on the investments strategy and performance indicators established for 2020/21 in February 2020 and had the opportunity to ask questions. Our considerations and findings were also discussed at a national consistency panel to provide an additional level of rigour.
Conclusion	We are satisfied the Council's arrangements for the year ending 31 March 2020 are adequate. However, the Council must take notice of new and emerging significant matters relating to commercial property investment relevant to 2020/21 onwards. We say more about this on the following page.

3. VALUE FOR MONEY CONCLUSION

Key Matters for Council Attention: Commercial Property Investment

The Council's strategy faces higher levels of inherent financial and reputational risk for 2020/21 and onwards, not just from the onset of Covid-19.

National Audit Office – February 2020

We contributed towards the National Audit Office's publication "Local authority investment in commercial property", published in February 2020. The report recognises the rapid expansion in the acquisition of commercial property in response to finding alternative sources of revenue. The NAO report states: "Buying commercial property can deliver benefits for local authorities including both the generation of income and local regeneration. However, as with all investments, there are risks. Income from commercial property is uncertain over the long term and authorities may be taking on high levels of long-term debt with associated debt costs, or may become significantly dependent on commercial property income to support services. At the national or regional level, local authority activity could have an inflationary effect on the market or crowd out private sector investment."

The Council should ensure this report has been circulated and received by Audit Committee.

Public Accounts Committee – July 2020

There has been wider criticism and comment on how local authorities have pursued this strategy, including concerns over investments outside of a borough that does not generate any direct benefit to the local population. A specific review by The Public Accounts Committee (13 July 2020) 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.

The Council must ensure it formally reflects upon these recommendations.

The Council will be aware of various news articles that indicate some authorities may have made unlawful transactions in pursuing such a strategy, raising profile and enhancing reputational risk.

Regulation

The reform of Public Works Loan Board (PWLB) borrowing has also led to the Treasury blocking any loans to councils with any commercial property investment from 26 November. Any redirection of strategy from commercial property investment to 'local regeneration' schemes as a mechanism to retain access to PWLB borrowing is expected to be heavily scrutinised.

There is also the prospect of additional oversight and data monitoring over commercial property investments, the exact requirements are, as of the date of this report, not yet known.

Recommendation

The matters above highlight the emerging and substantial challenges for authorities in 2020/21 and beyond from following a commercial property investment strategy that is fully informed by a robust risk assessment and risk appetite statement and supported by adequate arrangements to both govern the strategy and manage the portfolio.

Recommendation 1: The Council formally reviews and reflects on whether its strategy remains relevant and that its arrangements both adequately reflect and address the known and potential changes in governance and regulation over commercial investments.

4. OTHER REPORTING RESPONSIBILITIES

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

The 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 did not receive any such objections or questions.

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

The National Audit Office, as group auditor, requires us to complete a Whole of Government Accounts Assurance Statement in respect of financial consolidation data produced by the Council. We submitted this information to the NAO on 14 December 2020.

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.

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

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£43,148	
Fee Variations*: • Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes		£7,952

• Additional costs associated with 2019/20, including, but not limited to:
  • Impact of 'Material Valuation Uncertainty' in Council's Assets and its share of Pension Fund Assets
  • Updating audit risk assessments, including the value for money conclusion
  • Additional considerations of estimation uncertainty in going concern,
  • Changes impacting pension liabilities through McCloud & Goodwin
		£5,032

Final audit fee		**£56,132**
Assurance**: • Pooling of Housing Capital Receipts Return	£3,250	
Other non-Code work	Nil	Nil

**Fee variations subject to confirmation from PSAA.*

***Work is ongoing*

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

6. FORWARD LOOK: AUDIT CHANGES 2020/21

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 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.

The new Audit Code will result in additional officer time and auditor time and fees.

6. FORWARD LOOK: AUDIT CHANGES 2020/21

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 will now be considered by the Ministry of Housing, Communities and Local Government and 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

David Hoose

Partner

Email: david.hoose@mazars.co.uk

Michael Butler

Manager

Email: michael.butler@mazars.co.uk