

# The Annual Audit Letter for Wealden District Council

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Year ended 31 March 2019

March 2020



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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wealden District Council ( the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Finance and Governance Committee as those charged with governance in our Audit Findings Report on 21 January 2020.

## Our work

## Respective responsibilities

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

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

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

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>                        | We determined materiality for the audit of the Council's financial statements to be £1.345m, which is 2% of the Council's gross revenue expenditure.                                                                                                                                                                                                                                                                                                                                     |
| <b>Financial Statements opinion</b>       | We gave an unqualified opinion on the Council's financial statements on 10 March 2020.                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Whole of Government Accounts (WGA)</b> | We completed work on the Council's consolidation return following guidance issued by the NAO.                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Use of statutory powers</b>            | We did not identify any matters which required us to exercise our additional statutory powers. We received and concluded on a formal objection to the accounts. We did not uphold the objection. We reported our conclusions in February 2020.                                                                                                                                                                                                                                           |
| <b>Value for Money arrangements</b>       | We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 10 March 2019.                                                                                                                                                                                                                                                                      |
| <b>Certification of Grants</b>            | We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions, and to certify the Council's Housing Capital Receipts return on behalf of the Council's Ministry of Housing, Communities and Local Government. Our work on these claims was completed ahead of the government deadlines and the relevant certifications have been submitted. No significant issues were identified in our work to certify these claims. |
| <b>Certificate</b>                        | We certified that we have completed the audit of the financial statements of Wealden District Council in accordance with the requirements of the Code of Audit Practice on 10 March 2020.                                                                                                                                                                                                                                                                                                |

# Executive Summary (continued)

## Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.
- Improved financial processes and more compliant, clearer financial statements– in our Audit Findings Report we provided recommendations to improve financial controls found in our testing, and we also agreed changes to the disclosures in the financial statements to make them more compliant with the CIPFA Code of Practice.
- Sharing our insight – we provided regular Audit, Finance and Governance Committee sector updates covering recent developments and best practice.
- Providing training – we provided your teams with training workshops on financial statements and annual reporting.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**March 2019**

# Audit of the Financial Statements

## Our audit approach

### Materiality

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

We determined materiality for the audit of the group financial statements to be £1.345m, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £66.8k, above which we reported errors to the Audit, Finance and Governance Committee in our Audit Findings Report.

### The scope of our audit

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

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

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

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

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

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

# Audit of the Financial Statements

## Significant Audit Risks

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

| Risks identified in our audit plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How we responded to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Findings and conclusions                                                             |
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| <p><b>Improper revenue recognition</b></p> <p>We considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue. We rebutted this presumed risk for revenue streams that are derived from Council Tax, Business Rates and Grants on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>We did not deem it appropriate to rebut this presumed risk for fees, charges and other service income as we do not have cumulative audit testing knowledge of these revenues being your new auditor, and the adoption of new accounting standard, IFRS15 Revenue from Contracts with Customers, could materially affect recognition of this income. We therefore identified the occurrence and accuracy of these income streams and the existence of associated receivable balances as a significant risk of material misstatement.</p> | <p>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>evaluated the Council's accounting policy for recognition of income for appropriateness and compliance with LG Code of Practice;</li> <li>updated our understanding of the system for accounting for income and evaluated the design of the associated controls;</li> <li>reviewed and sample tested income to supporting evidence;</li> <li>evaluated and challenged significant estimates and the judgments made by management, including those around the adoption of the new IFRS15.</li> </ul>                                                                                                                                             | <p>Our audit work did not identify any issues in respect of revenue recognition.</p> |
| <p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence;</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> | <p>Our audit work did not identify any issues in respect of revenue recognition.</p> |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How we responded to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Findings and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <p><b>Valuation of land and buildings</b><br/>The Authority revalues its land and buildings on a five-yearly rolling basis to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date. This valuation is carried out by the professional valuers contracted by the Council. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £247.8m at the 31 March 2018 balance sheet date) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p> | <p>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>assessed how management have challenged the valuations produced internally, by professional valuers and by independent property managing consultants to assure themselves that these represent the materially correct current value;</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's asset register;</li> <li>evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> | <p>During our review of the professional revaluation of council dwellings it was observed that there was a very material difference between the net book value of council dwellings property, plant and equipment assets at 31 March 2019 in the accounts and the professional valuation carried out independently for the Council. The net book value of council dwellings was understated by £10.2m compared with the professional valuation. This was due to the misapplication of the componentisation accounting treatment which extended back to when the Council first applied componentisation in 2013/14.</p> <p>Management agreed with our view, and processed an in year adjustment to the accounts as well as a prior period adjustment to correct the brought forward balance sheet amounts, and to add a third balance sheet showing the corrected balance sheet position at 1 April 2017. We reviewed and tested the adjustments and were satisfied that this corrected the issue, and componentisation accounting treatment was now applied correctly. We also reviewed the disclosures in the accounts and we were satisfied that these were sufficient and adequate under IFRS and the CIPFA Code of Practice.</p> <p>Our audit work did not identify any further issues in respect of valuation of land and buildings.</p> |

# Audit of the Financial Statements

## Significant Audit Risks - continued

| Risks identified in our audit plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How we responded to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Findings and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <p><b>Valuation of pension fund net liability</b><br/>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (approximately £27.4 million in the Authority's balance sheet at the 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>documented our understanding of the process and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluating the design of the associated controls;</li> <li>liaised with the auditors of East Sussex Pension Fund to evaluate the instructions and accuracy/completeness of information issued by the Pension Fund to their management expert (actuary – Hymans Robertson) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li>tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional focussed audit procedures suggested within the report; and</li> <li>obtained assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> | <p>We were satisfied that the actuarial method used and the assumptions made by your actuary were appropriate.</p> <p>During the year two legal cases were heard impacting on pensions and their accounting. The McCloud case relates to the Court of Appeal ruling that there was age discrimination in certain public sector pension schemes where there were transitional protections given to scheme members. Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The GMP case relates to the High Court ruling that GMPs must be equalised between men and women and that past underpayments must be corrected.</p> <p>Management had provided for the additional liabilities under the McCloud case as estimated by your actuary. We agree that the McCloud case gives rise to a past service cost and liability within the scope of IAS 19 as the ruling creates a new obligation which should be included in the accounts where material.</p> <p>Your actuary assessed the impact of the GMP matter as immaterial in its year end reporting to the Council, and our own estimate based on applying information provided by our auditor's consulting actuary to estimate the GMP potential liability to a reasonable degree of accuracy also concluded that it was immaterial and did not need to be provided for.</p> <p>Our audit work has not identified any issues in respect of valuation of the pension fund net liability.</p> |

# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 10 March 2020.

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

We reported the key issues from our audit to the Council's Audit, Finance and Governance Committee as those charged with governance in our Audit Findings Report on 21 January 2020.

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

We are required to review the Council's Annual Governance Statement and Narrative Report. Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

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

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold.

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

We certified that we have completed the audit of the financial statements of [name of Council] in accordance with the requirements of the Code of Audit Practice on 10 March 2020.

# Value for Money conclusion

## Background and Key Findings

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate: *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.* Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out overleaf.

## Overall Value for Money conclusion

We are satisfied through the work documented below, that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

| Risks identified in our audit plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Findings and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <p><b>Medium term financial sustainability</b></p> <p>Across the Local Government sector medium to long term financial plans are under strain due to reductions in central government funding along with increases in demand. The Council has set surplus budgets for the 2018/19 year and 2019/20 years. The Medium Term Financial Strategy sets out expectation during 2020/21 and 2021/22 years the Council will operate at a small deficit before returning to operating at a surplus by 2022/23. This is contingent on making savings or generating additional income of £0.6m each year from 2020/21 over the Strategy. There are known risks to the 5 year plan, including:</p> <ul style="list-style-type: none"> <li>- Salary costs needing to be increased to attract/retain talent</li> <li>- Inflation outstripping the Council's expectations</li> <li>- Growth in the Council Tax base doesn't meet the Council's expectations</li> <li>- Uncertainties around the Funding Formula and Business Rate Retention.</li> </ul> <p>The impact of Brexit on the local economy could also lead to a further increase in costs, deterioration in public finances and/or the local economy.</p> <p>We focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:</p> <ol style="list-style-type: none"> <li>1. Performance in the current 2018/19 year, the reforecast budget, reasons for in-year variances, and how performance was reported.</li> <li>2. The reasonableness of the process, method and assumptions underlying the setting out of your Medium Term Financial Strategy.</li> <li>3. The considerations undertaken by management in setting the minimum level of reserves to hold.</li> </ol> | <p><b>Financial performance 2018/19</b></p> <p>The Council set a budget for 2018/19 of £180k General Fund revenue surplus, and achieved a favourable £492k surplus. Our discussions with management and review of the final outturn report as issued to Cabinet indicates that the Council has maintained good financial grip and control during the 2018/19 year, allowing an increase in the useable reserves held by the Council which will act as a future cushion against uncertainty and reduction in government funding, as well as allowing the Council to invest in infrastructure and services.</p> <p><b>Financial planning (MTFS) 2019/20 to 2024/25</b></p> <p>For the 2019/20 year the Council has set a balanced budget, with a total net cost of services of £18.2m with no budget gap requiring the Council to utilise the General Fund reserve. We reviewed the key components of the budget builds and assumptions and we agreed these were reasonable.</p> <p>Your Medium Term Financial Strategy (MTFS) is the key financial planning document which sets out the financial implications of your corporate strategy over 5 years for the purposes of decision making and for you to provide assurance that you have a sustainable position in place to deliver service priorities and other investments in the local area. We met with key members of your finance team to discuss and review the method for building the MTFS and in particular the robustness and realism underlying key assumptions, the savings plans which are included and any areas where significant new/increased areas of revenue have been included.</p> <p>We were satisfied that, acknowledging the various economic uncertainties at the national level, the authority's method and assumptions for forecasting the MTFS, and then the subsequent governance processes for review, approval and Cabinet level scrutiny of the Strategy, were appropriate and in line with our expectations for an authority of this size.</p> <p><b>(continued below)</b></p> |

# Value for Money conclusion

## Value for Money Risks

| Risks identified in our audit plan                      | Findings and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <b>Medium term financial sustainability (continued)</b> | <p><b>Fiscal Indicators and Reserves Levels</b></p> <p>Each year management assess the level of reserves they believe it is prudent for the Council to hold. Management base this on the following factors:</p> <ul style="list-style-type: none"> <li>(i) the cashflow working balance requirement;</li> <li>(ii) considerations of the level of available internal and external funds in the event of unexpected events or an emergency;</li> <li>(iii) The need to build up funds for known or potential liabilities (earmarked reserves);</li> <li>(iii) having funds in place for investment in and regeneration of the area.</li> </ul> <p>We compared your proportion of reserves and level of reserves to a set of other similar sized councils. Your General Fund and Earmarked reserves total at 31 March 2019 is £30.1m. This compares favourably to other East Sussex districts with this Council holding proportionately the highest level of reserves compared to other local district councils. This demonstrates clearly there is no “correct” level of reserves to hold and it very much depends on local circumstances, risk analysis and risk appetite. We were satisfied that the considerations and assumptions that management have in place to monitor reserves levels at what they consider to be a safe level are reasonable and detailed.</p> <p>Comparing reserves levels to geographic neighbours is not necessarily comparing like with like, as these districts face specific local socio-economic, funding settlement and practical challenges which impact upon their financial resilience and reserves level. CIPFA have recently published their Financial Resilience index whereby they assess Wealden District Council alongside a group of similar comparator Councils to compare their financial resilience and indicators of financial stress. Within the comparator group of 16 Councils, Wealden District Council ranked 10 of 16 in terms of level of reserves, and was “middle of the pack” with some indicators of financial stress pointing to higher risk around the level of reserves.</p> <p>We also note that your management regularly analysed reserve levels and risks when the Budget is set each year. Your Chief Finance Officer has concluded that the minimum level of General Fund reserve which should be maintained is £0.8m to maintain cash flow and a further £1m contingency to cover any unforeseen cost increase or contingencies. This minimum reserve level is reported and approved by Cabinet in the Budget approval process annually. Currently the Council holds £7m in the General Fund, £5.2m in excess of the authority’s approved minimum reserve level.</p> <p>Our view is that management have given reasonable consideration as to whether the reserves provide a sufficient cushion to weather the on-going financial challenges that you face over the medium term due to reductions in central government funding and forecast increases in demand for your core services. The financial outlook for local government is at its most uncertain for a generation. It is key that members recognise the current level of reserves provide a buffer for the uncertainties ahead and do not represent an easy way to resolve immediate budget pressures.</p> |

# A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

## Reports issued

| Report                | Date issued     |
|-----------------------|-----------------|
| Audit Plan            | 20 March 2019   |
| Audit Findings Report | 21 January 2020 |
| Annual Audit Letter   | 25 March 2020   |

## Fees

|                                                   | Planned<br>£  | Actual fees<br>£ | 2017/18 fees<br>£ |
|---------------------------------------------------|---------------|------------------|-------------------|
| Statutory audit                                   | 35,567        | TBC              | 46,191            |
| Housing Benefit Grant Certification               | 9,500         | 9,500            | 7,923             |
| Housing Capital Receipts Return<br>Certifications | 2,000         | 2,000            | 950               |
| <b>Total fees</b>                                 | <b>47,067</b> | <b>TBC</b>       | <b>55,064</b>     |

## Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £35,567 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. This included the delay to the production of the accounts which delayed the start of the audit and required us to provide additional resourcing outside of the planned audit period, and some issues with completeness and quality of working papers.

We provided our signed auditor's report on 10 March 2020, and we are currently holding discussions with the s151 officer to agree the audit fee variation for 2018/19. Fee variations are also subject to PSAA approval.

## Non-audit services

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

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

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

## Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

## New opportunities and challenges for your community

### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

## Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

## Grant Thornton in Local Government

### Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

### Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

### Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

### Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

### Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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