



Annual Audit Letter

Year ended 31 March 2020

St Helens Metropolitan Borough Council

March 2021



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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 St Helens Metropolitan Borough Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit & Governance Committee as those charged with governance in our Audit Findings Report on 4 February 2021.

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.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £8,729,000, which is 2% of the Council's gross operating expenditure for 2018/19 year .
Financial Statements opinion	We gave an unqualified opinion on the Council financial statements on 22 February 2021. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings, investment properties and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for the "Inadequate" Ofsted rating for the Council's children's social care services. . We therefore qualified our value for money conclusion in our audit report to the Council on 22 February 2021.
Certificate	We certified that we have completed the audit of the financial statements of St Helens Metropolitan Borough Council in accordance with the requirements of the Code of Audit Practice on 22 February 2021.

Executive Summary

Working with the Council

The accounts were provided to us on 10 August 2020 and working papers have been provided throughout the audit. The audit has taken longer than expected due to remote working and the competing demands on the Finance Team's time.

Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to new remote access working arrangements. This has included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software.

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

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's financial statements to be £8,729,000, which is 2% of the Council's gross operating expenditure for the 2018/19 year. 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 and other funding in the year.

We also set a lower level of specific materiality of £5,000 for senior officer remuneration

We set a lower threshold of £436,000, above which we reported errors to the Audit & Governance Committee in our Audit Findings Report.

The scope of our audit

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

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

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

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial reporting and accounting implications relating to the Covid-19 pandemic</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:</p> <ul style="list-style-type: none"> • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We worked with management to understand the implications of and the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 10 August 2020. We have also:</p> <ul style="list-style-type: none"> • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained using alternative approaches whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management the implications for our audit report. 	<p>The results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. This includes the use of alternative arrangements in the decision-making process as permitted by the Council Constitution. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council and share information through our cloud based software.</p> <p>Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuer's report (in line with RICS Red Book Global). You have disclosed this material uncertainty within Note 2 of the financial statements. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</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>We:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any evidence of management override of controls.</p>
<p>The Revenue Cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We:</p> <ul style="list-style-type: none"> evaluated the Council's accounting policy for recognition of income from fees and charges for appropriateness; gained an understanding of the Council's system for accounting for income and evaluated the design of the associated controls; and agreed, on a sample basis, amounts recognised as in the financial statements to gain assurance over occurrence and accuracy. 	<p>Our audit work did not identify any issues in respect of revenue recognition that would change our rebuttal of this presumed significant risk.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£255m in the Council's 2019/20 accounts), and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets), 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, which was one of the most significant assessed risks of material misstatement.</p>	<p>The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.</p> <p>We evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</p> <ul style="list-style-type: none"> • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the period and how management has satisfied themselves that the carrying value is not materially different to the current value at year end. 	<p>Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuer's report (in line with RICS Red Book Global). You have disclosed this material uncertainty within Note 6 of the financial statements. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Our audit work did not identify any other issues in respect of valuation of land and buildings.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£290m in the Council's 2019/20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their actuary for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Merseyside 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. • relied on the audit work carried out by ourselves as auditors of the Merseyside Pension Fund in undertaking the above procedures 	<p>The Pension Fund has some direct property class of asset and as a result of the Covid-19 pandemic, the Fund's valuer have declared a material uncertainty in relation to their valuation as at 31 March 2020. Total value at 31 March 2020 is £471.9m and the share of St Helens is £38.55m (8.17%). We have proposed adding a material uncertainty within Note 2 of the financial statements to reflect this. We will also reflect this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.</p> <p>The Pension Fund's auditor's testing of level 3 investments also indicated that the balance was overstated. The factual overstatement error identified is £16.021m, extrapolated to £30.741m. Council's share of the asset is 8.17% therefore this is a factual error of £1.3m and extrapolated error of £2.5m, which is included in Appendix B.</p> <p>Our audit work did not identify any other significant issues in relation to the risk identified.</p>

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Risks identified in our audit plan	Commentary	Auditor view
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/20 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>Note 1 makes reference to IFRS 16 and discloses the date of implementation. The Authority has stated that the detailed work required to reasonably estimate the impact of standard has not been undertaken at present.</p>	<p>To fully comply with the requirements of IAS 8, the Council should explain why it has not been able to reliably estimate the impact of the new IFRS 16 Leases accounting standard.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 22 February 2021.

We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings, investment properties and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year

Preparation of the financial statements

The accounts were provided to us on 10 August 2020 and working papers have been provided throughout the audit. The audit has taken longer than expected due to remote working and the competing demands on the Finance Team's time.

Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to new remote access working arrangements. This has included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit & Governance Committee on 4 February 2021.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in August 2020.

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

Whole of Government Accounts (WGA)

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

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of St Helens Metropolitan Borough Council in accordance with the requirements of the Code of Audit Practice on 22 February 2021.

Value for Money conclusion

Background

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

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

Key findings

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

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

As part of our Audit Findings report agreed with the Council in February 2021, we agreed recommendations to address our findings.

Overall Value for Money conclusion

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

Value for Money conclusion

Risks identified in our audit plan	How we responded to the risk
<p>Financial Sustainability</p> <p>The Authority's current financial position remains challenging with continued reductions to Government funding together with increasing service demands.</p> <p>The Authority faced ongoing budgetary pressures in 2019/20 particularly within children and young people in care and adults disability learning and originally set a budget that included the delivery of £6.2m of service saving plans. The financial forecasts indicated a shortfall of £3m against the planned savings which together with ongoing service pressures will impact on general fund reserves at the end of the financial year.</p> <p>The Authority had set a one-year budget for 2020/2021 which includes the development of detailed portfolio budget savings options of £5m and the application of £4.9m earmarked reserves to arrive at a balanced budget position. This was before the impact of Covid-19 pandemic was known.</p> <p>Covid-19 has had a significant impact on the Council's income particularly car parking, rental income, fees and charges and collections of Business Rates and Council tax. The Council will need to model the impact of Covid-19 on their 2020/2021 and medium term financial position and to decide on appropriate actions to mitigate any significant financial gaps that arise.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> • reviewing the in-year budget monitoring reports. • reviewing the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this. • reviewing the 2020/21 and 21/22 budget projections. <p>We believe that the Council has good budgetary control arrangements in place to plan, monitor and report its financial position. However, like all local authorities, the Council is facing a significant financial challenge in the medium term.</p> <p>In order to achieve a balanced budget, the Council had to call on £8.5m of general fund balances in 2019/20. This reduced the general fund reserves, including earmarked reserves, to £61.1m as at 31 March 2020. This equates to 14% of the Council's gross expenditure. In comparison to similar sized authorities, the use of reserves in 2019/20 has taken the reserves to a below average level. Even before taking into account the impact of Covid-19, we agree with management of the need for the Council to look at ways of replenishing general fund reserves in the medium term. Failure to identify and achieve savings over the next few years may mean that the Council is unable to withstand any further budget pressures.</p> <p>The Council has been closely monitoring and assessing the financial impact of Covid-19. Officers recognise that this is a complex, evolving and iterative process. The Council are currently forecasting a Covid-19 impact of £20.7m in 2020/21.</p> <p>However, the Council is expecting government support of £18.8m to offset the majority of this financial impact. As at October 2020, the Council is forecasting a budget gap of £3.2m for 2020/21, which includes ongoing non-Covid pressures in areas such as adults and children's services.</p>

Value for Money conclusion

Risks identified in our audit plan	How we responded to the risk
Financial Sustainability <i>(continued)</i>	<p>The Council is progressing its budget proposals for 2021-2022. Currently, the Council is projecting a £20.4m budget gap. Proposals are being developed to address the current forecast budget pressure for 2021-2022. However, this represents a significant savings challenge as it equates to 4.7% of gross expenditure, which will be very challenging in the current operating environment. Whilst the Council does have sufficient reserves to absorb any shortfall, this would leave reserves extremely low and therefore we would strongly advise against this. Management are aware of the scale of the challenge and we agree with the difficult and challenging actions that they have set out including:</p> <ul style="list-style-type: none"> • reviewing how all services are delivered to identify efficiencies and reduce the overall costs. • the cessation or reduction of some discretionary services or moving to provide minimum levels of statutory services. <p>The Council will need to focus efforts on identifying and delivering savings options that are resilient and create long term financial sustainability in a post Covid-19 world. In undertaking this exercise, the Council will need to review the new ways of working implemented during the pandemic, retaining initiatives that increased productivity, reduced costs and led to no deterioration in statutory service delivery.</p> <p>It is intended a new Medium-Term Financial Strategy will be presented to the Council at Budget Council in 2021 to outline in detail the risks, assumptions and future year budget forecasts.</p>

Findings and conclusions

Whilst the Authority is facing a significant financial challenge in the medium term, we have concluded that financial management arrangements are fundamentally sound. However, whilst general fund reserves are adequate to withstand the projected budget gaps in 2020/21 and 2021/22, we believe that reserves are becoming low. Therefore, we believe that the Council needs to identify efficiencies and reduce discretionary services to replenish reserves over the medium term. Failure to do so will deplete reserves to levels that may mean that the Council is unable to withstand any further economic shocks.

Management response

Cabinet has received reports detailing the financial position for the current financial year and the forecast budget gap for 2021-2022 and has approved the progression of budget proposals to address the underlying budget shortfall for 2021-2022 and ensure a sustainable financial position for the future years. A key part of maintaining a sustainable financial position is to move away from the use of reserves, which is a key principle of the Council's approach for setting the 2021-22 budget and forecasting over the medium term.

The requirement to realise savings of such magnitude requires a major programme to review how all services are delivered to identify efficiencies and reduce the overall costs. This may involve changing how services are delivered or supported, driving change through technology and more efficient commissioning. These reviews may also suggest the cessation or reduction of some discretionary services or moving to provide minimum levels of statutory services. However, the Council's approach will be to maintain financial sustainability and resilience, and align service changes to the Council's priorities and transformation agenda.

Value for Money conclusion

Risks identified in our audit plan	How we responded to the risk
<p>Ofsted inspection of children’s social care services</p> <p>The inspection of children’s social care services during November 2019 resulted in an “Inadequate” Ofsted rating for overall effectiveness.</p> <p>The inspection found widespread and serious failures in the quality of services for children in care. Failings included a lack of early planning for permanence, as well as a lack of tools and systems to remedy the situation in a timely manner resulting in a significant number of children waiting too long to secure legal permanence and achieve their full potential.</p> <p>No children that require help and protection were found to be left at risk of immediate harm during the inspection, however children and families are not receiving a good service.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> • reviewing the 2019 Ofsted inspection report. • reviewing the in-year budget monitoring reports. • reviewing the Council’s Ofsted action plan and evidence of progress against it. • reviewing the findings from the Ofsted’s monitoring visit in 2020. <p>Following the 2019 Ofsted inspection, the Council has stepped up work to improve the effectiveness of children’s services. It set up an ILACS action plan under a new senior leadership team. An action planning day was completed in December 2019 and the draft ILACS Action Plan was submitted to Ofsted in January 2020. The new action plan receives monthly oversight and challenge where required by the Children’s Improvement Board, who are responsible for monitoring progress against the plan.</p> <p>The Council is making significant financial investments into the service to help it deliver those improvements whilst meeting service demand. In 2019/20, additional temporary funding of £8.1m was made available to children’s social care services in response to the increasing financial pressures. However, children’s social care services still overspent their budget by approximately £3.3m for the year. In 2020/21, the Council is investing an additional £15m of permanent funding into the service.</p> <p>The main budget pressure in the service remains Looked After Children where costs have more than doubled in the last five years. This is largely demand driven where the rate per 10,000 of young people under the age of 18, is significantly higher than comparable national and regional averages. A number of measures are being implemented to reduce costs in respect of Looked After Children and to achieve improved value for money in relation to care costs.</p> <p>Ofsted conducted their monitoring visit in August 2020. They independently assessed the Council’s progress in improving practice since the ILAC inspection in 2019. Ofsted concluded that considerable progress has been made by the service in both frontline practice and leadership. However, several areas for improvement remain include:</p> <ul style="list-style-type: none"> • Challenge - Whilst progress has been made in this area the lack of challenge by managers in relation to practice is still a concern. • Supervision - This is now occurring in nearly all cases however there is a need to move beyond a ‘tick box approach’ in a number of areas. • Recording - Most case records are up to date however there are several cases that need to improve quality • Improving consistency - There remains a concern that practice is still too variable and common standards need to be addressed • Compliance - Historically the lack of compliance in social work practice continues to be a hurdle to improvement.

Value for Money conclusion

Findings and conclusions

The Council received an “Inadequate” Ofsted rating for its children’s social care services. The Council has since taken considerable steps to address the findings of the 2019 Ofsted inspection. The latest Ofsted monitoring visit in 2020 has confirmed that good progress has been made but the Council still has a way to go to secure sustained improvements in the effectiveness of children’s social care services. There is also a need to improve the economy and efficiency of the service.

These matters are weaknesses in the Council’s arrangements for managing the performance of children’s social care services. They are evidence of weaknesses in proper arrangements for informed decision making in the performance management of the service. As a result, we are proposing an “except for” qualified VFM conclusion.

Management response

Significant improvements in the quality of practice have been recognised in implementation of ILACS recommendations, with caseloads now at a more manageable level and alternatives to care having been developed. Further revisions to the Council's placement sufficiency strategy are being introduced to improve the planning and commissioning of long-term care placements, reduce the unit cost of placements and improve placement stability. Progress against the recommendations will continue to be monitored at the DfE Improvement Board.

A. Reports issued and fees

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

Report issued	Date issued
Audit Plan	4 March 2020
Audit Findings Report	4 February 2021
Annual Audit Letter	17 March 2021

Audit fees	Planned £	Actual fees £	2018/19 fees £
Statutory audit	96,282	110,619	£89,932
Total fees	96,282	110,619	£89,932

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The non-audit services set out in the table below are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Non-audit fees	Fees £
Non-audit related services provided:	
• Housing Benefit subsidy claim	14,000
• Teachers Pension return	6,000

A. Reports issued and fees continued

Covid-19 has impacted on the audit of your financial statements in several ways. These impacts include:

- 1. Revisiting planning** - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work.
- 2. Management's assumptions and estimates** - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions.
- 3. Financial resilience assessment** – we are required to consider the financial resilience of audited bodies. I know from our discussions over the last few months that Covid-19 has had a significant impact on the Council's finances. This has increased the amount of work that we need to undertake on going concern and value for money (financial sustainability).
- 4. Remote working** – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). We, and other auditors, are experiencing considerable delays as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of relevant staff (due to shielding, being diverted to other essential functions, or other additional Covid related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming. The Government's current expectation to work from home as the default position is now likely to make this a greater issue for the audit than if we had been able to gradually return to our offices and council premises over the autumn of this year, as originally anticipated.

We have been discussing the impact Covid-19 has been having on audits with PSAA over the last few months and note that these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month.

The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

To date, we estimate that the issues highlighted above are increasing the time taken on audits by an average of 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. Please be assured that we have tried to mitigate this as far as possible through reduced travel time and travel costs and we have absorbed some of the remaining overrun ourselves. However, it was not possible to cover the full additional cost of the audit.



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