

**Audit Committee – 27 July 2020**

**External Audit – External Audit Plan update**

**1. Summary of report**

- 1.1 This report provides the Audit Committee with an update to the planned scope and timing of the statutory audit of Council's Statement of Accounts, as reported to Committee in February 2020. Subsequent to the February 2020 Audit Plan events surrounding Covid-19 have led Grant Thornton to update the planning risk assessment and reconsider the audit and value for money approach.

**2. Recommendations**

- 2.1 Audit Committee are recommended to review and note the report.

**3. Background**

- 3.1 Given the current position with Covid-19 Grant Thornton are required to consider this new significant risk within their work plan for the audit of the financial statements. This report therefore provides Audit Committee with an update to the audit approach as a result of this new risk and to inform the Committee that materiality levels have been reviewed.

**4. Resource and Legal Consideration**

- 4.1 Grant Thornton are the Council's independent external auditors. Outcomes from their work will assist the Council in maintaining strong governance arrangements.

**5. Citizen Impact**

- 5.1 None arising directly from this report.

**6. Performance and Risk Management issues**

- 6.1 None arising directly from this report. The 2019/20 external audit opinion and any recommendations arising from this will be reported to the Audit Committee for consideration.

**7. Equality Implications**

- 7.1 None directly related to this report.

**8. Consultation**

- 8.1 Consultation has taken place between internal finance staff and external auditors as the audit work has progressed, however no further formal consultation is required in relation to this report.

## 9. Background Papers

Internal Audit reports / monitoring information.



Vicky Buckley – Interim Director – Finance, Corporate Performance Management and Corporate Landlord, ☎ 01922 652326, ✉ [vicky.buckley@walsall.gov.uk](mailto:vicky.buckley@walsall.gov.uk)

### Authors:

Lorraine Noak, Audit Manager, Grant Thornton - ☎ 0121 232 5407 ✉  
[Lorraine.noak@uk.gt.com](mailto:Lorraine.noak@uk.gt.com)

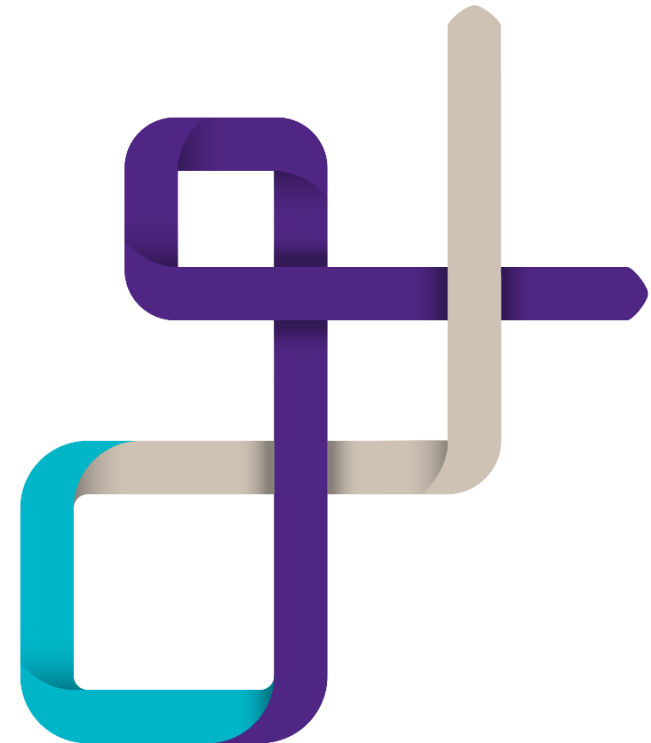
Richard Walley, Finance Manager – Technical Accounting and Treasury Management - ☎  
01922 650708, ✉ [walleyr@walsall.gov.uk](mailto:walleyr@walsall.gov.uk)

# External Audit Plan update

*Year ending 31 March 2020*

Walsall Metropolitan Borough Council

July 2020



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# Introduction & headlines

## Purpose

This document provides an update to the planned scope and timing of the statutory audit of Walsall Metropolitan Borough Council ('the Authority') as reported in our Audit Plan dated February 2020, for those charged with governance.

## The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 18 February 20, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

## Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020 however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

## Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audits. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19 .

## Changes to our VfM approach (the Authority)

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19,

## Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

# Significant risks identified – Covid – 19 pandemic – Walsall Metropolitan Borough Council

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Covid – 19</b>	<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"><li>- 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</li><li>- 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</li><li>- 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</li><li>- 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.</li></ul> <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 will:</p> <ul style="list-style-type: none"><li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li><li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li><li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.</li><li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li><li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li><li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li><li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence</li></ul>

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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