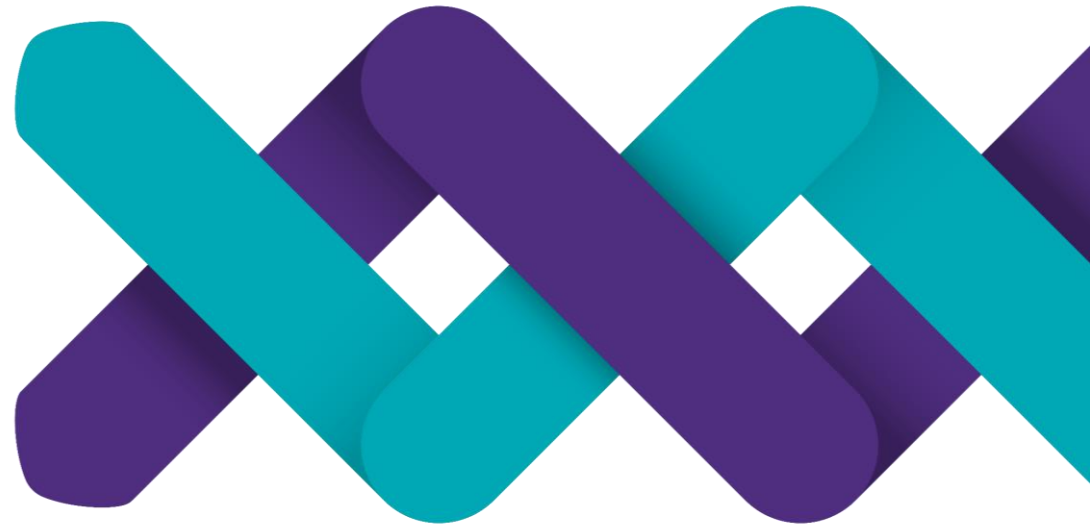


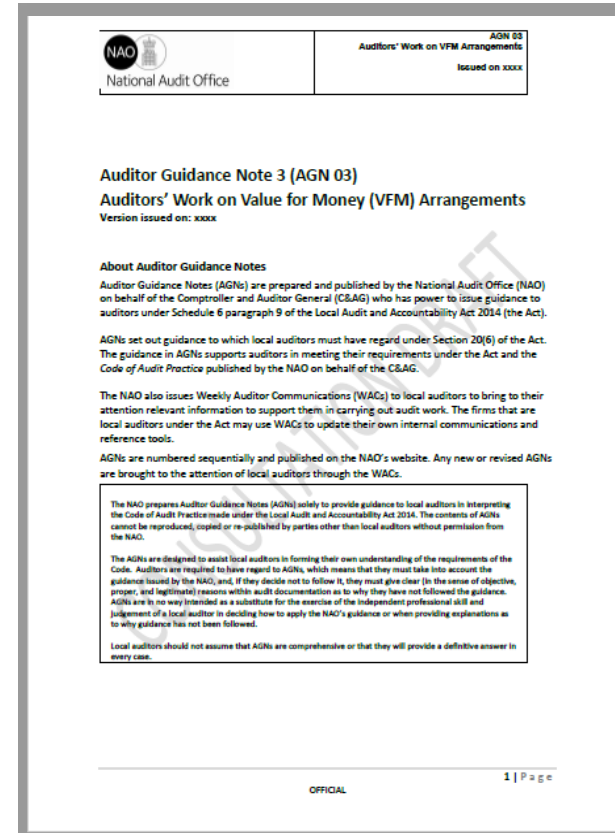
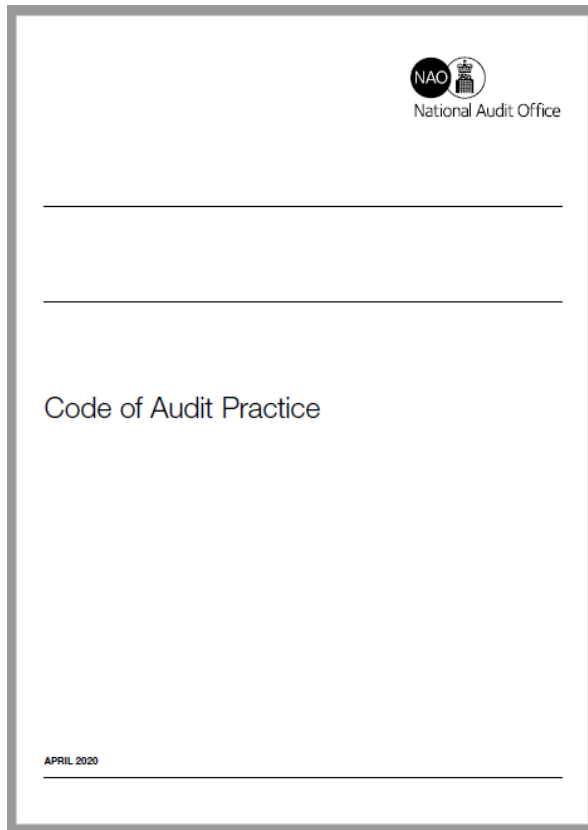
# Preparing for external audit in the public sector

**Mark Stocks**



# New approach to Value for Money audit

# VfM : The new NAO Code and Value for Money



# VfM : Why is Value for Money changing?



More meaningful and timely reporting



More tailored local work



Maximise the value from the auditor's work

# New VfM criteria

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

# VfM - Auditor's Annual Report

~~Annual Audit Letter~~

Auditor's Annual Report

Commentary on arrangements

Recommendations

Progress in implementing recommendations

Use of additional powers

Opinion on the financial statements

# Financial Reporting Council

“

*“Robust, focused and independent challenge is vital to a high-quality audit, particularly so at a time of prolonged heightened uncertainty, compounded by operational challenges.”*

David Rule, FRC Executive Director of Supervision,  
December 2020

”



# Expectation

- Increased challenge
- Consideration of alternatives
- Professional scepticism
- Greater focus on estimates and fraud

# Auditing Standard ISA 540 – auditing accounting estimates and related disclosures

Increasing focus from regulators and other stakeholders on estimates (especially those which are complex, require significant judgements)

ISA 540 has been enhanced to place increasing demands on auditors to understand and assess an entity's internal controls over accounting estimates

# Accounting estimates

Property, plant and equipment

Accruals

Provisions

Expected credit loss provisions

Value of stock

Defined benefit pension liability

# Internal controls over accounting estimates

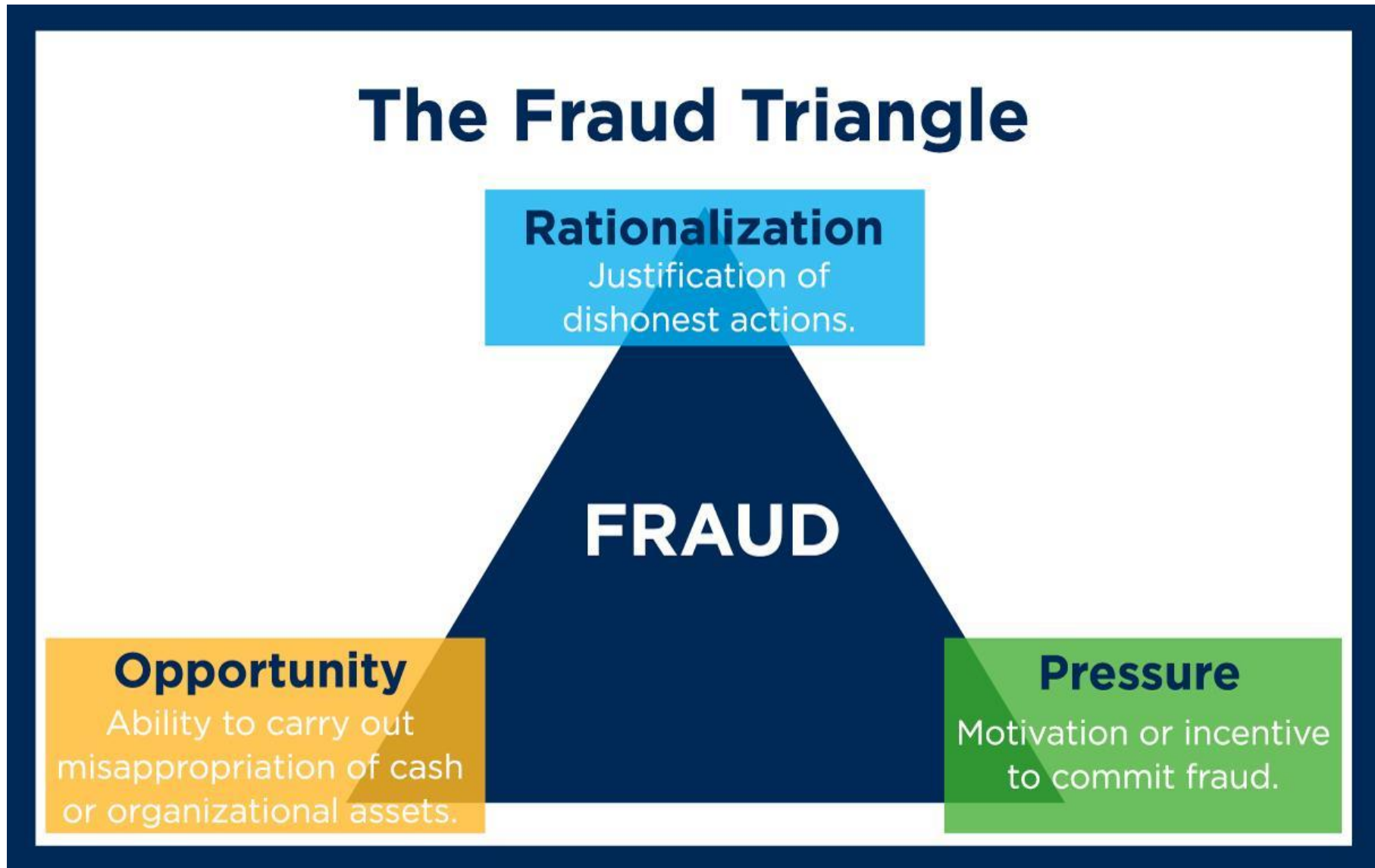
- Nature and extent of oversight and governance
- How management identifies the need for and applies specialised skills
- How management identifies and addresses risks
- The information system and controls applied by management
- Control activities
- How management reviews the outcomes of previous estimates
- The role of those charged with governance

# NED focus

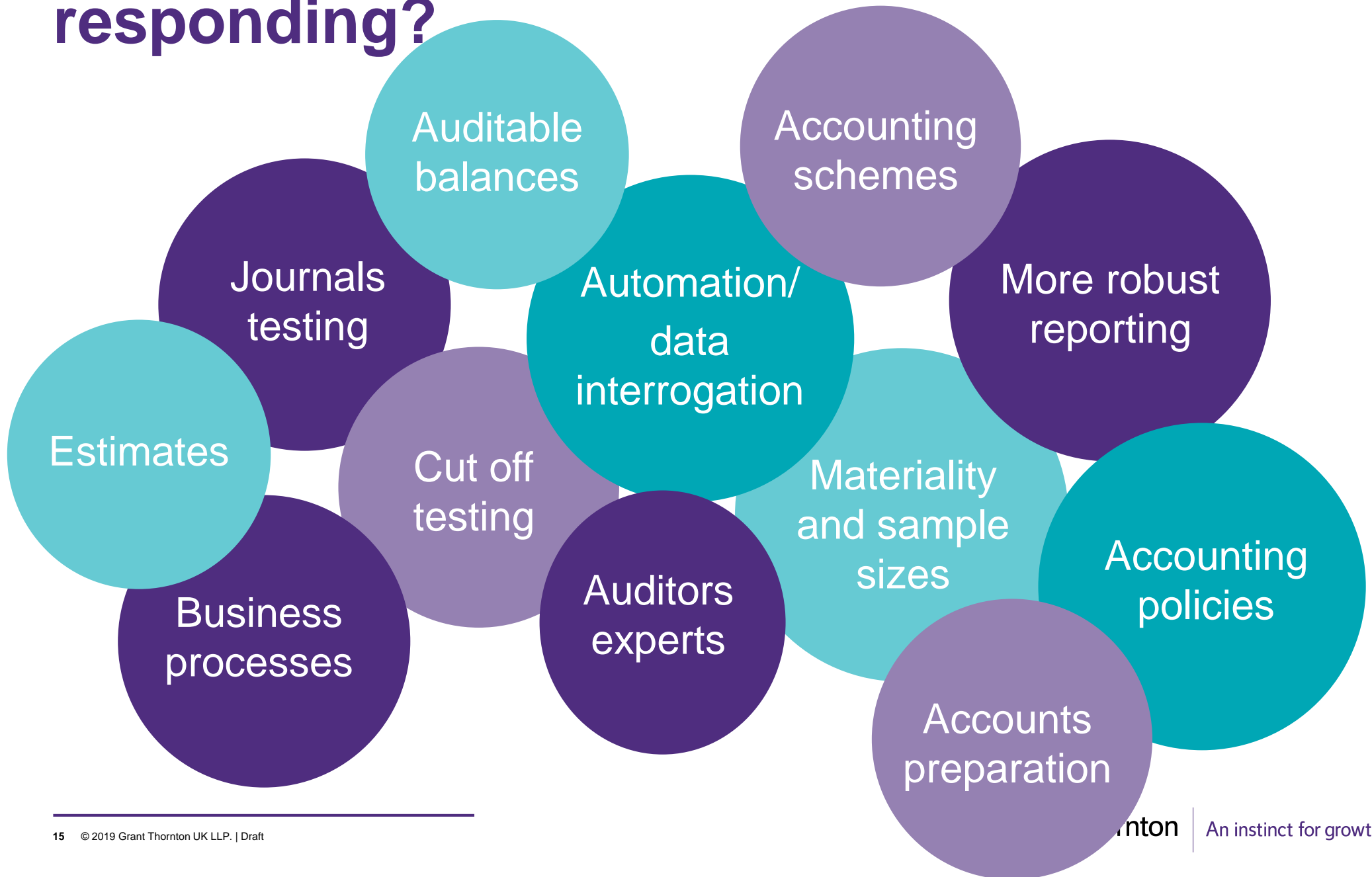
Ensure that you can clearly articulate the following:

- How management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these
- How management understands the degree of estimation uncertainty related to each accounting estimate
- How management addresses this estimation uncertainty when selecting their estimate.

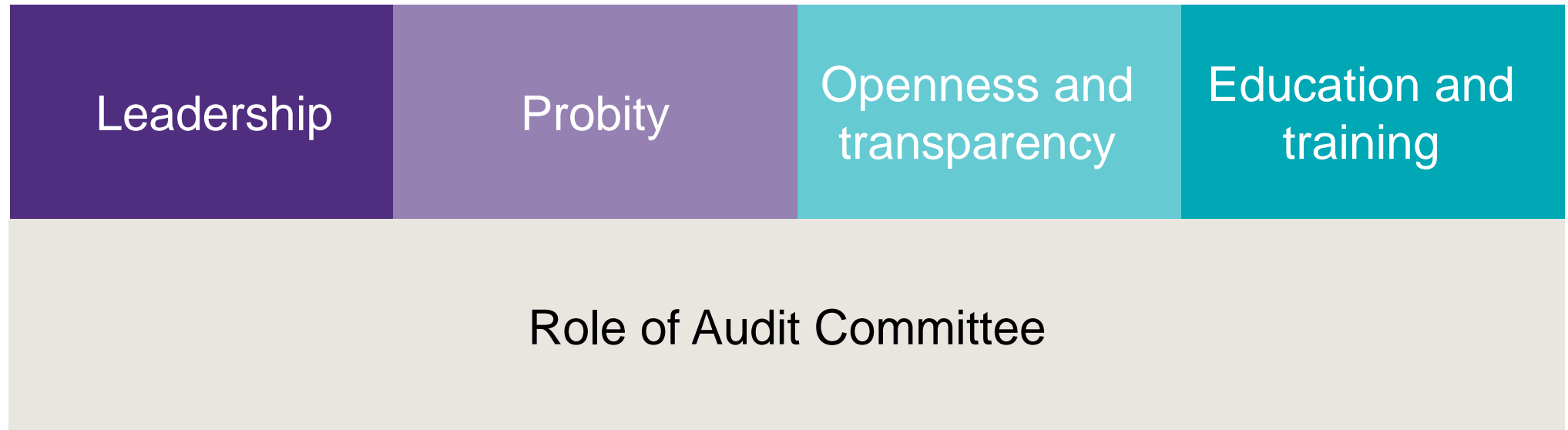
# Financial misreporting



# Risk of fraud – how are auditors responding?



# Risk of fraud – what should you be doing?





# Financial reporting

# Reporting matters for 2020/21

Block contracts



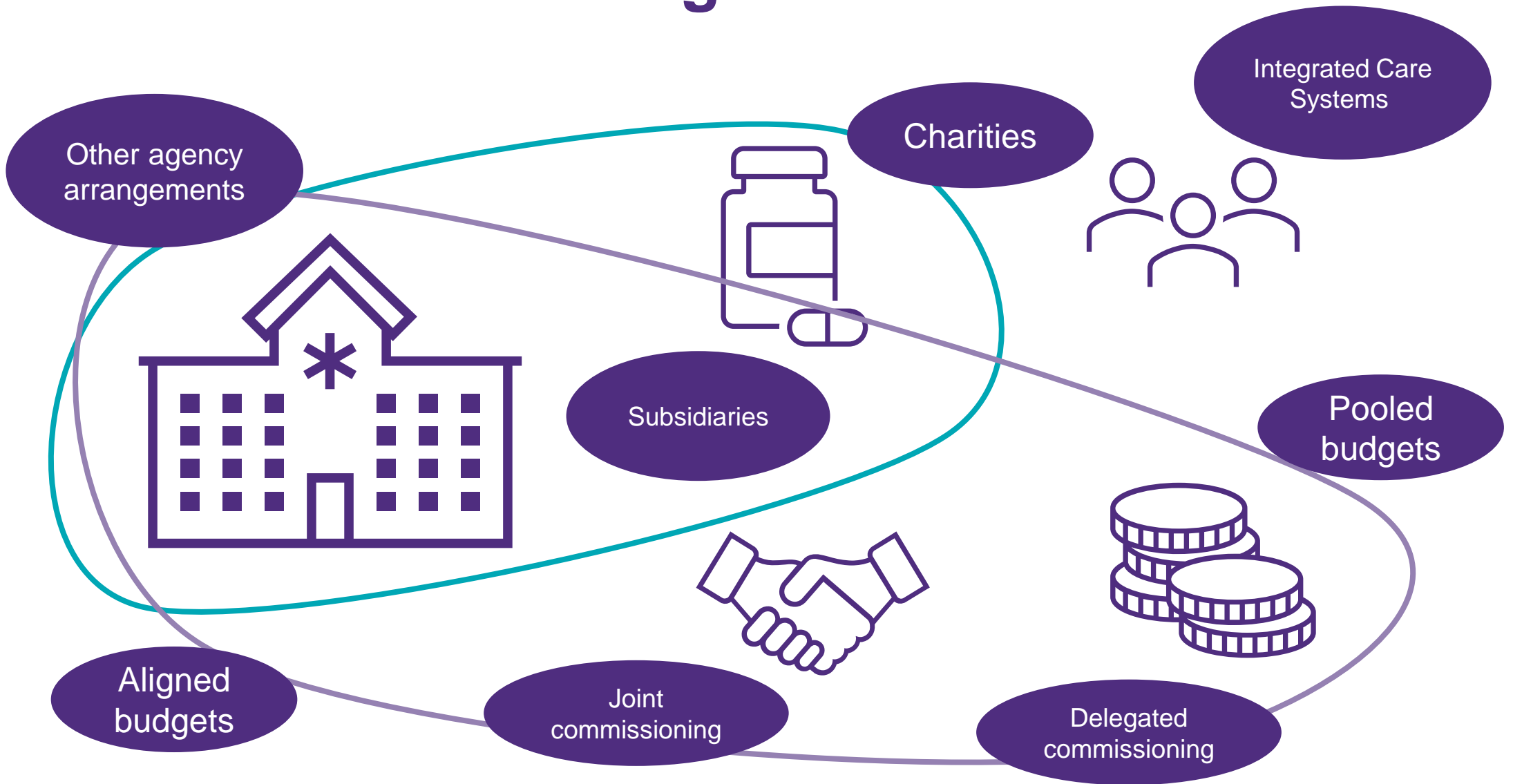
'Push' stock to be recognised



Donated equipment



# Collaborative arrangements



# For example: Integrated Care Systems

- Not legal entities
- Formal transfer of allocations needed
- Lead CCG as agent
- Clarity what payments to providers are for

# Disclosures - significant judgements and estimation uncertainty

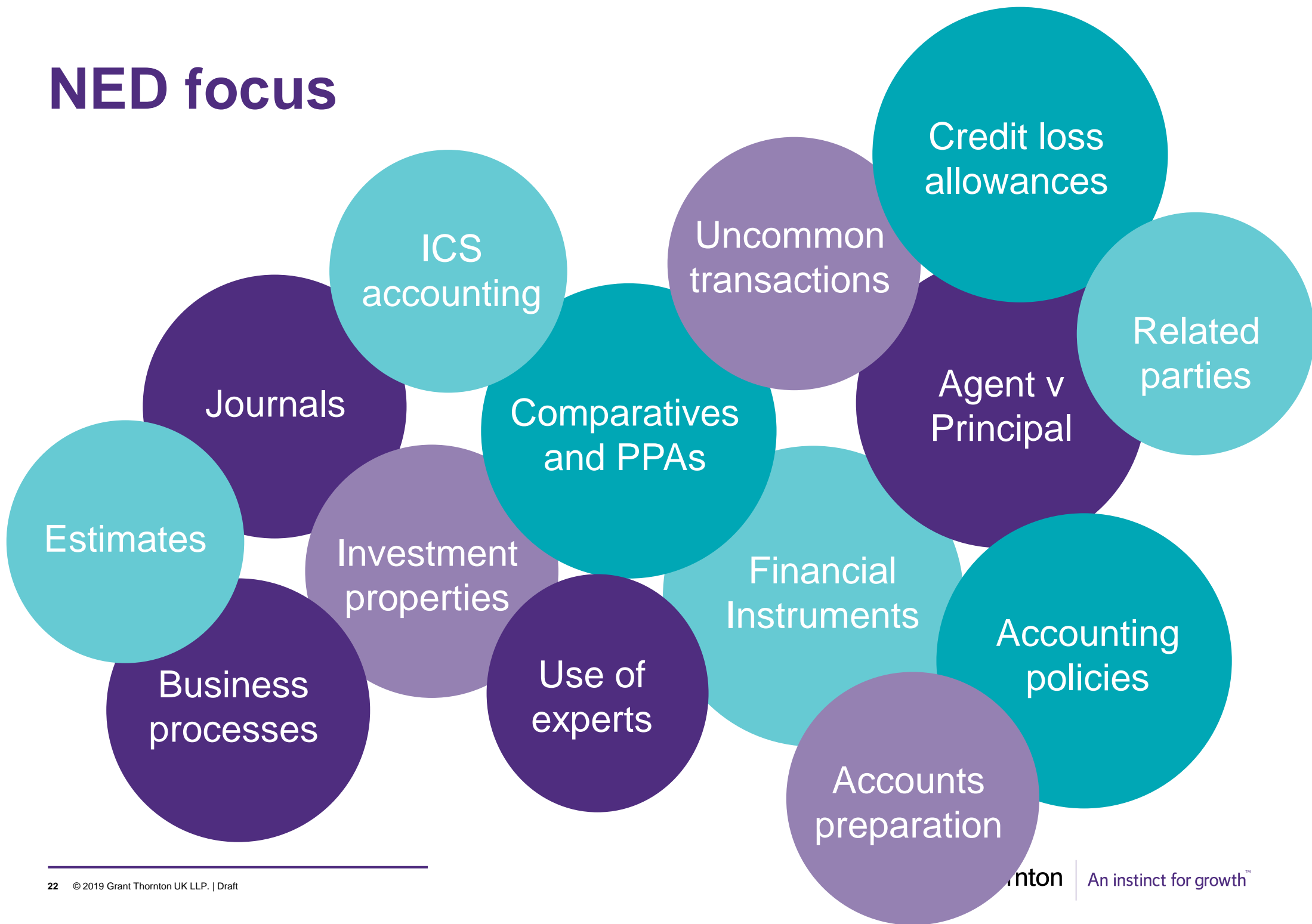
To ensure disclosures explain:

- the judgements management has made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements
- information about assumptions the entity makes about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to carrying amounts in the next year

IAS 1 : 122-  
124

IAS 1 : 125-  
133

# NED focus



# Working under lockdown

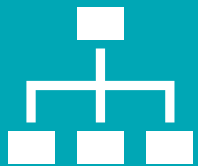
# Key challenges for auditors and account teams



Clear and open channels of communication



Data validity – “Information Provided by Entity”



Information sourced from other departments (particularly valuation source data)



Resolving queries – elapsed time



# Auditing remotely

## Stock takes

- Auditor to attend if material and safe
- If auditor cannot attend - limitation of scope

## Physical verification of non-current assets, particularly equipment

## New policies and procedures

- documentation
- 'walk through'

## Impact of 2020

- Delayed start
- Reduced interim testing

# Audit Market

# Audit market

Recent HFMA publication

FRC and Audit focus on quality

Timetable

Risk and Reward

Relationships

Capacity and Expertise



The content of these slides should not be considered to be advice. Grant Thornton LLP accepts no liability for any actions taken or omitted on the basis of the content of these slides.

© 2019 Grant Thornton UK LLP. | Draft

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.