

Meeting:	Audit and governance committee
Meeting date:	Tuesday 19 November 2019
Title of report:	Annual external audit letter 2018/19
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

For the committee to receive the external auditor's annual audit letter for 2018/19 and determine whether further action or inclusion in the committee's work programme is appropriate.

The audit findings report on the statement of accounts was presented to the committee in July; formal receipt of the annual audit letter completes the annual external audit process.

Recommendation(s)

That:

- (a) having regard to the external auditor's annual audit letter 2018/19, attached at Appendix A, the committee determine any further actions to be recommended or items to be included in the work programme.**

Alternative options

1. None, the sharing of an annual audit letter from the external auditors forms part of a statutory external audit process, therefore no alternatives are appropriate.

Key considerations

2. The code of audit practice in local government requires external auditors to report to those charged with governance the conclusions they have drawn from their audit work and their opinion on the financial statements and value for money. The annual audit letter 2018/19, attached at appendix A provides this detail. It follows the audit findings report shared with the committee on 30 July. The committee is requested to consider whether any additional action relevant to the remit of the audit and governance committee is required.
3. The external auditors issued an unqualified opinion on the statement of accounts for 2018/19 and an unqualified conclusion was issued in respect of the value for money assessment for 2018/19. The external auditors are satisfied that the council has proper arrangements in place securing the economy, efficiency and effectiveness in its use of resources.
4. An agreed action plan for improvements going forward was presented to the committee at its meeting on 30 July; this raised two points – journals authorisation and including a review of the subsidiary's internal control systems in the annual governance statement.
5. In respect of journals authorisation there are restrictions in place on who can post journals and an automated alert has been set up for all journals over £250k to be reviewed and authorised on a monthly basis.
6. In respect of the annual governance statement the council has a process for providing assurance that partnerships governance arrangements are sufficiently robust through annual assessment against the framework for partnerships governance. This process is already used to inform the Annual Governance Statement regarding Hoople governance as reflected by specific recommendations in the statement regarding Hoople governance. However, discussions are underway between the s151 officer, monitoring officer and Hoople Chief Officer to ensure that this process is as comprehensive as necessary and appropriately reflected in future statements.
7. The external audit certificate of closure of this year's and previous years' audits has not been received due to outstanding matters from 2015/16. This does not affect the opinions received on the council accounts or the value for money conclusion and the committee has received separate reports on this matter.

Community impact

8. The council is responsible for ensuring that appropriate safeguards are in place to ensure that it operates effective governance arrangements and internal controls; the reports and opinions of external audit inform future improvement action.
9. One of the principles in the council's code of corporate governance is to implement good practices in transparency, reporting, and audit to deliver effective accountability. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner.
10. External audit contributes to effective accountability.

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
12. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual summary, we do not believe that it will have an impact on our equality duty.

Resource implications

13. There are no specific resource implications arising from this report, the agreed actions will be completed within existing resources.

14. The cost of the external audit is provided in the appendix, page 10, and is in line with the anticipated costs previously reported to the committee.

Legal implications

15. The annual audit letter is shared as part of the statutory duty of the external audit function.

Risk management

16. Appendix A identifies significant audit risks, being the valuation of land and buildings, the valuation of the net pension liability and the management override of internal controls, and the response the external auditor took to review these risks. There is nothing to report. The authorisation of journals has been included in the agreed action plan and an automated alert has been set up for all journals over £250k to be reviewed and authorised on a monthly basis.

Consultees

17. None

Appendices

Appendix A External annual audit letter 2018/19

Background papers

None identified