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| Meeting: | Audit and governance committee |
| Meeting date: | Tuesday 28 January 2020 |
| Title of report: | External audit progress report |
| Report by: | Chief finance officer |

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To review the external auditors progress report and sector update. External audit have issued an unqualified certificate on the council's annual housing benefit subsidy claim of £41m. External audit have also certified the council's annual teachers' pensions return in accordance with procedures agreed with teachers' pensions.

Recommendation(s)

That:

- (a) the external audit progress report and sector update attached at appendix 1 be reviewed and the committee consider any recommendations it wishes to make to the external auditor in relation to the report.**

Alternative options

1. There are no alternative options, the external audit progress report is required under the audit code of practice and forms part of the annual audit plan.

Key considerations

2. The external audit progress report attached at appendix 1 provides an update on progress in delivering external audit responsibilities and a summary of emerging national issues and developments. External audit deliverables are progressing in line with plans.
3. External audit have certified the council's annual housing benefit subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November 2019. No errors were noted in 2017/18 and therefore no cumulative audit knowledge and experience testing was required in 2018/19. No errors were noted in our testing for the year ended 31 March 2019 therefore an unqualified certificate on the housing benefit subsidy claim of £41m has been issued.
4. External audit also certified the council's annual teachers' pensions return in accordance with procedures agreed with teachers' pensions. The certification work for the 2018/19 claim was completed on 12 November 2019, in advance of the 30 November deadline.
5. The external audit sector update provides an up to date summary of emerging national issues and developments.
6. In July an independent review of local government audit was announced where the government is to examine local authority financial reporting and auditing. The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough. It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still fit for purpose. In addition the review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough. The outcome of this review is expected to be published in March 2020.
7. The National Audit Office – Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. The new code of audit practice from 2020/21 onwards has been adopted with the most significant changes being in relation to the value for money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the new code requires auditors to issue a commentary on local circumstances.

Community impact

8. 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. External audit contributes to effective accountability.

Equality duty

9. 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.
10. 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 progress report, we do not believe that it will have an impact on our equality duty.

Resource implications

11. During 2017, Public Sector Audit Appointments awarded contracts for audit for a five year period beginning on 1 April 2018. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council has set out its expectation of improved financial reporting from organisations and the need for auditors to undertake additional and more robust testing. External audit are currently reviewing the impact of these changes on both the cost and timing of audits.

Legal implications

12. External audit is a legal requirement; this report provides an update on the approach being taken in line with legislative requirements.
13. Under the Local Audit and Accountability Act 2014 section 20(2) auditors make the completion of an audit by entering on the statement of accounts a certificate that the audit has been completed in accordance with the Act.

Risk management

14. The work completed has not identified any significant risks.

Consultees

15. None

Appendices

Appendix 1 External audit progress report and sector update

Background papers

None identified