

Meeting:	Audit and governance committee
Meeting date:	Friday 25 September 2020
Title of report:	External audit progress update
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To provide the committee with a progress update of the work being undertaken by the external auditor, Grant Thornton.

The progress update includes external audit progress at September 2020 and a sector update on emerging national issues and developments for the committee to consider.

Overall Grant Thornton are making satisfactory progress against the audit deliverables.

Recommendation(s)

That:

- (a) the progress report and sector update attached at appendix 1 be reviewed and the committee determine any recommendations it wishes to make to ensure the value of the external audit work is maximised.**

Alternative options

1. There are no alternative recommendations. The report provides a factual update on progress against the agreed external audit annual plan in accordance with the functions

of the committee, together with briefings on a range of matters of local government interest.

Key considerations

2. The external auditor's progress report attached at appendix 1 provides the committee with an update on progress against delivering the external audit responsibilities. External audit of the councils draft financial statements started in July, to date all adjustments proposed to the financial statements have been agreed with Officers. Grant Thornton will report their work in the Audit Findings Report and aim to give their opinion on the Statement of Accounts and value for money conclusion by 30 November 2020.
3. The National Audit Office (NAO) new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations.
4. The Sir Tony Redmond review of the quality of local authority financial reporting and external audit is due to be published on 8 September 2020. Grant Thornton have agreed to update the next Audit and Governance Committee of its findings.
5. Page 11 of appendix 1 provides a summary of the NAO guide for audit and risk committees on financial reporting and management during Covid 19. The NAO report notes *"Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk. Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for."* Herefordshire council moved to using emergency decision powers in the constitution in response to the pandemic lockdown. Decisions were taken in consultation with cabinet members and recorded in a record of officer decision and reported to council in due course. This means that the directors had the power to authorise decisions to allow these to be made at pace where considered necessary in relation to the national pandemic, and / or implications arising from that, until normal decision routes were established.
6. Overall Grant Thornton have made satisfactory progress against their audit plan and of the work concluded no items have been identified that require highlighting to the committee.

Community impact

7. 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.

Environmental Impact

8. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
9. Whilst this is an update on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy. The external audit is being completed remotely this year reducing travel and pollution time.

Equality duty

10. 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.
11. 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 update, we do not believe that it will have an impact on our equality duty.

Resource implications

12. The update has no direct resource implications however the consideration of sector wide emerging issues may lead to further work streams being identified.
13. The committee approved in July 2019 the 2019/20 annual external audit fee total of £96k, the committee has previously been advised of a proposed fee increase to total £107k (£106k in 2018/19).

Legal implications

14. This update has no direct legal implications.

Risk management

15. The potential risks of being unaware of the update include not producing a compliant statement of accounts; this is being mitigated by ensuring the corporate finance team maintain up to date financial knowledge and awareness and maintain open dialogue with

the council's external auditors with whom there is an established, defined and detailed working paper requirements being complied for the final audit work.

Consultees

16. None

Appendices

Appendix 1 External audit progress report and sector update

Background papers

None identified