

Meeting:	Audit and governance committee
Meeting date:	Wednesday 23 January 2019
Title of report:	External auditors annual plan
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To review and agree the external auditor's audit plan for 2018/19.

The external audit of Herefordshire Council's statement of accounts for 2018/19 is required to be completed before the 31 July, achieving this regulatory deadline is reflected in the audit plan attached at Appendix 1.

Recommendation(s)

That:

- (a) subject to any recommendations the committee wish to make to the external auditor, the proposed external audit plan 2018/19 at appendix 1 be approved; and**
- (b) the committee determine any recommendations it wishes to make to maximise the value of the combined internal and external audit process.**

Alternative options

1. There are no alternative options to approving an external audit plan. The audit plan must meet statutory requirements, however it is open to the committee to identify any additional

areas of risk they wish the external audit to consider and to recommend additional actions to maximise the value of the combined internal and external audit process.

Key considerations

2. The constitution provides that the audit and governance committee will:
 - a. Review and agree the External Auditor's annual plan and receive regular update reports on progress.
 - b. To comment on the scope and depth of external audit work and to ensure it gives value for money.
 - c. Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.
3. Attached as appendix 1 is the external audit plan for the audit of the 2018/19 statement of accounts. The 2018/19 external audit aims to complete by the statutory deadline of 31 July.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements. There are two standard presumed risks for all Grant Thornton clients, being fraudulent transactions and management override of controls to be addressed during the audit.
5. The external audit plan confirms the approach to assessing if the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the value for money conclusion. The report details the areas of risk identified and the work that will be completed to reach a conclusion that will be reported to the committee.
6. The committee is asked to consider whether there are any comments it would like to make with reference to the external audit plan. Progress against the plan will be reported at future audit and governance committee meetings.

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.

Equality duty

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.
8. 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 decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

9. The cost of the external audit is detailed in the appendix and, at £96k is lower than in previous years (at £124k before variations). This saving is included in the revenue budget.
10. Grant Thornton confirm their resourcing in the appendix attached, this is supported by their audit working paper requirements and the internal year-end timetable which identifies key tasks, nominated internal contact and deadline dates.

Legal implications

11. The Accounts and Audit Regulations 2015 requires the council to produce and publish an annual Statement of Accounts in accordance with the regulations and "proper practice",
12. Section 21 of the Local Government Act 2003 defines "proper practice" for this purpose to be the CIPFA Code of Practice on Local Authority Accounting (The Code) for the relevant year. The Code specifies the principles, practices, format and content required in the preparation of the Statement of Accounts.

Risk management

13. The risk is that the plan does not achieve the conclusion of the audit work within the statutory deadlines. The attached plan details how interim work, planning and resourcing will mitigate this risk.

Consultees

14. None.

Appendices

Appendix 1 External audit plan 2018/19

Background papers

None identified