

Meeting:	Audit and governance committee
Meeting date:	Tuesday 30 July 2019
Title of report:	External audit findings report - 2018/19 statement of accounts
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To consider the external auditors audit finding report for the year ended 31 March 2019.

This is one of a number of reports which the committee receives in order that it may provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.

Recommendation(s)

That:

- (a) the report of the external auditor attached at appendix A be considered; and**
- (b) the committee determine whether any issues raised in the report require inclusion in the committee's future workplan.**

Alternative options

1. There are no alternative options to receiving the report.
2. It is open to the committee to determine its future work programme to enable it to provide assurance on the adequacy of the council's risk management, financial reporting and annual governance processes. It is also open to the committee to comment on the scope and depth of external audit work and to ensure it gives value for money.

Key considerations

3. The external audit findings report is attached at Appendix A and details the work and findings completed to date. Work will continue until the committee meeting on 30 July 2019.
4. The external auditor provides an independent opinion as to whether the group, being Herefordshire Council and Hoople Limited, financial statements give a true and fair view of the group's council's financial position and of the group and council's expenditure and income for the year, and have been properly prepared. Subject to completion of the outstanding work, Grant Thornton anticipate issuing an unqualified audit opinion at the Audit and Governance Committee meeting on 30 July 2019.
5. In addition the external auditor is required to determine if the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion). Grant Thornton expect to be unable to issue a VFM conclusion at this time due to ongoing work.
6. As requested at the Audit and Governance Committee meeting on 19th March 2019 Grant Thornton have considered the level of materiality for the audit of the 2018/19 accounts. The Audit Findings Report provides detail on the approach and in addition Materiality was covered in the training session for members of the Audit and Governance Committee in July 2019.
7. Grant Thornton has concluded that Herefordshire Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, it is unable to conclude the opinion however due to an emerging potential issue, full facts of which are not yet known.
8. The audit findings report includes an action plan agreed by the chief finance officer to enable improvements to be made for 2019/20.
9. Grant Thornton are not in position to issue the certificate of completion of the 2015/16 audit due to ongoing matter that is yet to be resolved, work to resolve this matter has been ongoing since the last committee meeting, however this is has not yet been concluded, and it is not currently possible to provide a timeline within which a conclusion will be reached.

Community impact

10. In accordance with the code of corporate governance 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

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 report for information, we do not believe that it will have an impact on our equality duty.

Resource implications

13. There are no financial implications arising from this report. However, the annual audit fee is agreed at £96k and the agreed action plan is not expected to generate additional cost or resourcing. If any further charges were proposed by Grant Thornton this would be reported to the audit and governance committee

Legal implications

14. The external audit opinion considered whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law..
15. In accordance with section 20 of the Local Audit and Accountability Act 2014 (the Act) the external auditor must be satisfied (a) that the accounts comply with the requirements of the enactments that apply to them, (b) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
16. On conclusion of the audit the auditor must enter on the statement of accounts (a) a certificate that the auditor has completed the audit in accordance with the Act, and (b) the auditor's opinion on the statement.
17. The council must by not later than 31 July of any year publish (which must include publication on the authority's website), any certificate or opinion, entered by the auditor in accordance with section 20 of the Act. This deadline is expected to be met.

Risk management

18. The council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. The external audit is not designed to test all internal controls or identify all areas of control weakness, however, if external audit identify any control weaknesses, these are reported. The external audit work continues in this area, the audit findings report attached at appendix A details the conclusions on work completed to date.

Consultees

19. None

Appendices

Appendix A External audit findings report – 2018/19

Background papers

None identified