

Title of report: 2019/20 external audit findings report

Meeting: Audit and governance committee

Meeting date: Friday 30 July 2021

Report by: Chief finance officer;

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To consider the external auditors audit finding report for the year ended 31 March 2020.

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. An initial external audit finding report was presented to the committee on 25 September 2020, red text in Appendix A indicates new text.
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. 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 have qualified their value for money opinion following several issues arising within the Capital Programme and Children's Services – see pages 21 to 25 of Appendix A for further details.
5. The audit findings report includes an action plan agreed by the chief finance officer to enable improvements to be made for 2020/21. This action has been agreed.
6. Grant Thornton have certified the closure of the 2019/20 audit of Herefordshire Council in the audit report and prior years certificates have also been closed.

Community impact

7. 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.

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 a report for information and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy

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

Resource implications

12. The impact of COVID 19 on the audit of the financial statements include:
- i. Revisiting planning and refresh risk assessments, materiality and testing levels.
 - ii. Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations and we are required to understand and challenge the assumptions applied by management.
 - iii. Financial resilience assessment – we are required to consider the financial resilience of audited bodies this has increased the amount of work that we need to undertake on going concern and value for money (financial sustainability).
 - iv. Remote working – the most significant impact in terms of delivery.
13. Grant Thornton has been discussing this issue with the Public Sector Audit Appointments to remedy covering the associated additional costs.

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 2019/20 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. Due to ongoing value for money work the deadlines have not been 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.

Consultees

19. None.

Appendices

Appendix A External audit findings report – 2019/20

Background papers

None identified.