

Title of report: External auditors annual plan 2020/21

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 review and agree the external auditor's audit plan for 2020/21.

The external audit of Herefordshire Council's statement of accounts for 2020/21 is targeted to be completed before the 30 September, achieving this is reflected in the audit plan attached at appendix A.

Recommendation(s)

That:

- a) subject to any recommendations the committee wish to make to the external auditor, the proposed external audit plan 2020/21 at appendix A and associated informing the audit risk assessment attached at appendix B 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 at appendix A is the external audit plan for the audit of the 2020/21 statement of accounts. The 2020/21 external audit aims to complete by the target deadline of 30 September 2021 with the value for money conclusion to be delivered within three months thereafter.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements. There are three standard presumed risks for all Grant Thornton clients, being management override of controls, valuation of land and building and investment properties and valuation of pension fund net liability to be addressed during the audit.
5. Materiality has been determined as £7m being 1.8% of prior years' gross expenditure. Clearly trivial has been set at £0.35m.
6. Following the new Code of Audit Practice 2020/21 there is a revised approach to value for money external audit work. The Code requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:-
 - a. Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures.
 - b. Governance – a risk that the council has not made informed decisions and is not effectively managing its risks.

- c. Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.
- 7. Page 17 of appendix A describes the work Grant Thornton will complete to provide their value for money commentary.
- 8. 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

- 9. 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

- 10. 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.
- 11. Whilst this is a decision on statutory external audit plan and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy, for example by completing the work remotely.

Equality duty

- 12. 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.
13. 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 the statutory external audit plan, we do not believe that it will have an impact on our equality duty.

Resource implications

14. The cost of the external audit is detailed in appendix A and is expected to be £157k, higher than previous years reflecting the additional work required.

Legal implications

15. 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.
16. The Accounts and Audit (Amendment) Regulations 2021 temporarily extends the statutory reporting deadlines.

Risk management

17. Appendix B documents the auditor's questions and management responses in informing the audit risk assessment. The committee is invited to review the management responses provided.

Consultees

18. None

Appendices

Appendix A External audit plan 2020/21

Appendix B Informing the audit risk assessment 2020/21

Background papers

None identified