

Title of report: 2022/23 External Audit Findings Report

Meeting: Audit and Governance Committee

Meeting date: Tuesday 24 October 2023

Report by: Head of Strategic Finance (Deputy S151 Officer)

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To consider the external audit findings report for the year ended 31 March 2023.

Recommendation(s)

That:

- a) **the report of the external auditor attached at Appendix 1 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. None; the audit of the council's statutory accounts is a requirement of the Accounts and Audit (England) Regulations 2015.
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 1. The report has been prepared by the council's external auditor, Grant Thornton, and summarises the key findings and other matters arising from the statutory audit and the preparation of the financial statements for the year ended 31 March 2023 for the attention of those charged with governance.
4. Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditor is required to report whether, in their opinion, the group and council's financial statements:
 - a) give a true and fair view of the financial position of the group and council and the group and council's income and expenditure for the year; and
 - b) have been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
5. External audit is also required to report on whether the information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or knowledge obtained through the audit or otherwise appears to be misstated.
6. The Audit Findings Report highlights the national audit backlog and the resulting impact of significant delays in the completion of audit work and the issuing of audit opinions across the local government sector and the risk of increased borrowing by local authorities.
7. The key issues arising are summarised below:
 - a) The audit work to date has not identified any material errors or adjustments to the financial statements and Grant Thornton expect to issue an unqualified audit opinion following the meeting of this committee on 24 October 2023;
 - b) Grant Thornton have concluded that the other information to be published with the financial statements is consistent with their knowledge of the organisation and the financial statements they have audited;
 - c) A small number of disclosure and presentation adjustments have been recommended and these represent a significant reduction in the adjustments and small errors noted in previous years, providing Audit & Governance Committee with assurance over the arrangements in place to provide complete, accurate and timely financial statements; and
 - d) As part of audit testing, the appropriateness of the council's accounting policies, accounting estimates and financial statement disclosures have been evaluated; no omissions or errors have been noted.

Community impact

8. 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

9. The 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.
10. 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

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

Resource implications

13. The external audit fee detail is provided on page 34 of Appendix 1. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit contract.

Legal implications

14. Under Part 3 paragraph 5.11 of the Constitution, it is a function of the Audit and Governance Committee to review and agree the External Auditor's Plan.

Risk management

15. 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 1 details the conclusions on work completed.

Consultees

16. None.

Appendices

Appendix 1: The Audit Findings for Herefordshire Council Year ended 31 March 2023

Background papers

None identified.