

# AUDIT COMMITTEE

1 OCTOBER 2020

## REPORT OF ASSISTANT DIRECTOR FINANCE AND IT

### A.2 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present to the Committee the progress on outstanding actions identified by the Committee along with general updates on other issues that fall within the responsibilities of the Committee.

##### EXECUTIVE SUMMARY

- A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress on issues and items that form part of its governance responsibilities.
- The two usual appendices to this report are attached but this time a further appendix is included which sets out the outturn position for the Annual Governance Statement Action Plan from last year. The appendices are therefore as follows:

**Appendix A** – provides updates against general issues previously identified by the Committee;

**Appendix B** – the position against the Annual Governance Statement actions from last year as at the end of March 2020. *(Any actions outstanding have been carried forward where necessary into 2020/21 and included within the following appendix)*

**Appendix C** - provides the latest position against the Annual Governance Statement Action plan for 2020/21. *(items carried forward from 2019/20 may have been updated / revised which is highlighted within the appendix where applicable)*

- To date there are no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate.
- Updates on other issues (outcomes from a Government review of the effectiveness of external audit and revisions to the Statement of Accounts and Annual Governance Statement reporting timetable) are set out in more detail later on in this report. In respect of the latter point, it is proposed to hold an additional meeting of the Committee in November to accommodate the revised timetable.

##### RECOMMENDATION(S)

That the Committee:

- a) Considers and notes the progress against the actions set out in Appendices A to C; and
- b) Notes the revision to the deadline associated with the production and

publication of the Statement of Accounts and Annual Governance Statement and requests Officers to make the necessary arrangements for an additional meeting of the Committee in November.

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of Corporate priorities supported by effective management and forward planning within this overall framework.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

There are no significant financial implications associated with monitoring of the agreed actions or responses. If additional resources are required then appropriate steps will be taken including any necessary reporting requirements.

#### **Risk**

The Table of Outstanding Issues is in itself a response to potential risk exposure with further activity highlighted to address matters raised by the Audit Committee.

### **LEGAL**

There are no direct legal implications associated with this report.

### **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

This report does not have a direct impact although such issues could feature in future recommendations and actions. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.

## **PART 3 – SUPPORTING INFORMATION**

### **TABLE OF OUTSTANDING ISSUES**

The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee in March 2020.

An updated Table of Outstanding Issues is set out in **Appendix A**. An 'end of year' update on actions relating to the 2019/20 Annual Governance Statement is set out separately in **Appendix B**, with **Appendix C** providing updates against the 2020/21 Annual Governance Statement Action Plan.

In respect of the 2020/21 Annual Governance Statement Action Plan, given the revised timescales relating to publication of the Statement of Accounts, which are discussed later on in this report, it remains subject to the Committee's final approval later in the year once the work of the External Auditor is completed. It is therefore recognised that it remains subject to change until such time as the final version is approved by the Committee. However for timely and practical reasons the version currently published alongside the Statement of Accounts is being presented to the Committee now to enable the actions and associated updates to be considered as early as possible within the Committee's annual work programme.

There are no significant issues to highlight at the present time with actions and activities remaining on-going.

### **Update On Issues Raised**

Any actions identified by the Committee at its last meeting have now been included where appropriate.

Updates on items either appear as separate items elsewhere on the agenda or set out within the Appendices, with work scheduled or remaining in progress on all outstanding items.

### **Other issues**

#### **Redmond Review**

Back in July 2019, Sir Tony Redmond, a former council treasurer and local government ombudsman, was asked by the Government to look at the effectiveness of external audit.

The review has now been completed with a number of recommendations made. Some key highlights are as follows:

- A new regulatory body should be set up to oversee local government audit. It would bring together the functions relating to local audit currently held by the National Audit Office's comptroller, auditor Public Sector Audit Appointments and the Institute of Chartered Accountants in England and Wales.
- The new body (The Office of Local Management & Regulation) would be responsible for procuring and managing local audit contracts, determining the code of practice auditors must follow and monitoring and regulating performance in the sector.
- The report states that the body should be "small and focused", costing around £5m a year to run. However it would not represent a body which has the same or similar features as the Audit Commission that was abolished in 2010.
- The establishment of the new body would require primary legislation.
- The review supported a widely held view that council accounts are considered to be impenetrable to the public and it has been recommended that a simplified statement of service information and costs is prepared by each local authority. This would be in addition to the accounts to enable council taxpayers and service users to better judge their performance.
- The Annual Report and Accounts should be submitted to the first full Council meeting after 30 September each year.
- Audit Committee's to have at least one independent member, with sufficient training and expertise to support elected representatives in scrutinising local authority finances.
- The report also raises concerns that the price paid for current audit contracts does not allow auditors to operate effectively with an extract from Sir Redmond's report the report as follows: "As I conducted my work, it became clear that the local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. With 40% of audits failing to meet the required

deadline for report in 2018-19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. Without prompt action to implement my recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market."

The Government are now considering the findings set out in the report. Further updates will be provided to the Committee once the Government have published their response.

### **Impact of COVID 19 on the Statement of Accounts (SOA) and Annual Governance Statement (AGS) Timetable**

The SOA and AGS are usually published by the end of May each year, following which they are subject to external audit. Once the External Auditor has completed their work, they report their findings to the July meeting of the Committee. At the same meeting of the Committee, they are asked to approve the audited version of both the SOA and AGS.

However, given the significant impact of COVID 19 on Local Authorities, the Government have extended the deadlines described above. In line with these revised deadlines, the pre-audited SOA and AGS were published at the end of August, with the end of November being the revised deadline for the Audit Committee to receive and consider the report of the External Auditor and approve the final version of the SOA and AGS.

As the next meeting of the Committee is not until January 2021, to accommodate the change in the SOA and AGS timetable above, it is proposed to hold an additional meeting of the Committee in November. Subject to approval of the associated recommendation included above, Officers will consult with the Committee Chairman and individual members of the Committee to identify a convenient date in November.

It is also worth highlighting that the changes above will also have an impact on the Annual Audit Letter provided by the External Auditor. This cannot be prepared and issued until they have completed their work on the SOA and AGS. Therefore it is proposed to present this to the January 2021 meeting of the Committee.

### **BACKGROUND PAPERS FOR THE DECISION**

None

### **APPENDICES**

**Appendix A** – Table of Outstanding Issues (October 2020) – General.

**Appendix B** - Table of Outstanding Issues – Outturn Against 2019/20 Annual Governance Statement Actions

**Appendix C** - Table of Outstanding Issues – (October 2020) - Update against 2020/21 Annual Governance Statement Actions