

## AUDIT COMMITTEE

27 MAY 2021

### REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

#### A.1 EXTERNAL AUDITOR'S AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2021

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To present for consideration and agreement the External Auditor's Audit Planning Report for the year ended 31 March 2021.

##### **EXECUTIVE SUMMARY**

The External Auditor's Audit Plan for the year ending 31 March 2021 is attached, which gives an overview of their planned audit work in respect of informing their opinion on the 2020/21 Financial Statements and their commentary on the Council's use of resources.

As discussed in their report, the plan forms a key part of their communication strategy with the Council, which continues to be designed to promote effective two way communication throughout the audit process with those charged with governance.

The plan is set against a risk based approach to provide a focus on areas of the financial statements where the risk of material misstatement is higher or where there is a risk that the organisation has not made proper arrangements for securing value for money in its use of resources.

##### **RECOMMENDATIONS**

**That the Audit Committee considers and agrees the External Auditor's Audit Planning Report for the year ended 31 March 2021.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

Delivery against priorities, service improvement and governance arrangements are improved through external challenge such as from external audit inspections and reviews.

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

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

**Page 7** of the attached sets out a breakdown of fees. The planned 'base' fee totals **£45,205** (excluding certification of claims and returns), which can be met from within existing budgets. As set out on the same page, additional work will be required to respond to the new use of resources reporting requirements. The additional cost will be considered within the quarterly financial performance reports during the year as an on-going cost pressure.

No allowance is made within the overall fee for additional work that may be required such as that associated with additional requirements placed on the Council or unforeseen circumstances, which would be the subject of further reports where necessary.

### **Risk**

Not supporting and responding practically and timely to External Audit activity may have an impact on the delivery of the Council's priorities, reputation, governance arrangements and overall control environment.

### **LEGAL**

The Council is required to ensure there are adequate internal audit / internal control arrangements in place.

The Accounts and Audit Regulations 2015 introduced a change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts has been brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. In response to COVID 19 and as an interim response to the Redmond review, the Government has agreed to extend the deadlines for an initial period of two years. In line with these revised deadlines, the draft accounts have to be published by the end of July with the publication of the audited accounts due by the end of September.

The PSAA is specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For audits of the accounts from 2018/19, the PSAA appoints an auditor to relevant principal local government authorities that have opted into its national scheme. At the meeting of Full Council on 7 February 2017 it was agreed to opt in to the PSAA's national scheme. Appointments are made for the duration of a five-year appointing period. The current appointing period covers the audits of the accounts for 2018/19 to 2022/23.

### **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.**

There are no direct implications.

## **PART 3 – SUPPORTING INFORMATION**

### **EXTERNAL AUDIT – AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2021**

Shortly after the end of each financial year the Council prepares in accordance with proper practices a Statement of Accounts as statutorily required which is then subject to external audit before final publication.

The Audit Plan issued by the External Auditor highlights at a summary level, aspects of the work they plan on undertaking and why, including the value for money conclusion. The

External Auditor has also highlighted a number of key risks along with their planned audit approach against each item identified.

As set out on page 16 of the attached, attention is drawn to the new approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor is now moving to a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

The commentary will cover the following 3 headings:

**A) Financial sustainability: *how the body plans and manages its resources to ensure it can continue to deliver its services, including:***

This is expected to cover areas such as:

- 1) How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- 2) how the Council plans to bridge its funding gaps and identifies achievable savings;
- 3) how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 4) how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- 5) how the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

**B) Governance: *how the body ensures that it makes informed decisions and properly manages its risks, including:***

This is expected to cover areas such as:

- 1) How the Council monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- 2) how the Council approaches and carries out its annual budget setting process;
- 3) how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- 4) how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes

arrangements for effective challenge from those charged with governance/audit committee; and

- 5) how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

**c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:**

This is expected to cover areas such as:

- 1) How financial and performance information has been used to assess performance to identify areas for improvement;
- 2) how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- 3) how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- 4) where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Given the broad areas of governance that the new use of resources assessment will cover, there is unsurprisingly a large overlap with the existing Annual Governance Statement activities, where many of the issues are already being addressed or are planned to be addressed or strengthened. Although the Council is therefore in a strong position to respond to the new assessment, it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement processes going forward.

The outcome of the External Auditor's work will be set out in the Auditor's Annual Report that will be presented to the Audit Committee later in the year.

**BACKGROUND PAPERS FOR THE DECISION**

None

**ATTACHMENTS**

The External Auditor's Audit Planning Report for the year ended 31 March 2021