

AUDIT COMMITTEE

30 SEPTEMBER 2021

REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

A.3 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett and Karen Townshend)

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.
- Updates are set out against general items, external audit recommendations and the Annual Governance statement within **Appendix A, B, and C** respectively.
- 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.

RECOMMENDATION(S)

That the Committee notes and considers the progress against the actions set out in Appendices A to C.

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 July 2021.

There are currently 3 main elements to this report as follows:

- 1) **Appendix A** – Provides updates against general items raised by the Committee.
- 2) **Appendix B**- Provides updates against recommendations made by the Council's External Auditor.
- 3) **Appendix C** – Provides updates against the 2020/21 Annual Governance Statement Action Plan.

In terms of items 1) and 2) above, there are no significant issues to raise, with actions remaining in progress. In terms of item 3), there continues to be a significant impact from COVID 19 in terms of progressing the actions as quickly as originally anticipated. However, activity remains in progress against all actions and work will continue during 2021/22, as required.

An External Audit Recommendation is set out in **Appendix B** relating to the level of carry forwards from prior years. In previous updates to the Committee, it was highlighted that a review of a range of funded projects had been undertaken in consultation with the relevant departments and that the sourcing of providing support across a number of areas was being investigated. Although this work remains on-going, the latest position is set out below:

Following the initial review by Directors / Assistant Directors highlighted above, the additional capacity that has been identified as being required primarily centres around:

- Procurement
- Maximising External Funding Opportunities / Bid Writing
- General Project Management

In terms of procurement, as set out in a report due to be considered by Cabinet on 17 September 2021, it is proposed to work in partnership with ECC, which will allow the Council to not only access additional capacity but also specialist procurement advice / knowledge.

In terms of the other two items above, a report to the Portfolio Holder for Finance and Corporate Governance is currently being prepared to progress the required capacity building activities.

Other issues

The Statement of Accounts 2020/21 has been published and is currently subject to review by the Council's External Auditor. Although it is required to be audited and republished by the end of September, at the time of finalising this report, it remains subject to the conclusion of the work of the External Auditor. With this in mind, it is currently expected that a special meeting of the Committee will be required in October / November to consider the Statement of Accounts and the associated report of the External Auditor once they have concluded their necessary audit work. A further update will be provided directly at the meeting of the Committee.

Redmond Review

At its meeting in February 2021, the Committee considered the Government's initial responses to the Redmond review into the effectiveness of external audit. These were again considered at the meeting in April 2021.

As mentioned in April, many of the Government's responses indicated that they will either be liaising with the relevant stakeholders or will be considering some recommendations further.

The latest position is that The Department for Levelling Up, Housing and Communities (Formerly MHCLG) are undertaking a technical consultation on a broad range of implementation proposals along with responding to an earlier consultation on the appropriate methodology for distributing £15m to support effected local bodies as well as changes to the appointing persons fee setting regulations that aim to provide the PSAA with additional flexibilities.

The broad range of implementation proposals include:

- A new system leader for the local audit framework
- Proposals to strengthen audit committee arrangements within councils
- Measures to address ongoing capacity issues on the pipeline of local auditors
- Action to further consider local audit functions for smaller bodies

Unfortunately the consultation deadline of 22 September 2021 did not enable the proposed responses to be presented to the Committee before they were submitted. However the Council's responses were prepared in consultation with the Committee Chairman and broadly reflect the view that value for money should be at the heart of any changes proposed but balanced against strong and transparent governance where required. It is also important to highlight that future guidance emerging from the review should not be based on the benchmark of poor performing Council's where there may be a different solution in response to any perceived weaknesses. This Council takes a robust and strong approach to governance arrangements, supported by Senior / Statutory Officers along with working closely with our External Auditors, which will continue as part of any changes required as part of the Redmond review.

In respect of the distribution methodology for the £15m made available by the Government to primarily support the anticipated rise in audit fees, this will be based each body's scale fee as a proportion of the total fee scale that each body currently pays as part of the current External Audit contracts. The Government also highlighted that while they understood that individual circumstances may vary, it is important that the methodology

pursued follows a simple process which allows for efficient payment to local bodies. The actual financial impact compared with the funding receivable under these new arrangements will be considered as part of the future detailed budget setting and financial forecast processes.

In respect of the PSAA fee setting regulations, the government committed to consult on proposals to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met and to reduce the need for time consuming case by case consideration of fee variation requests. The majority of respondents to the associated consultation conducted earlier in the year agreed with the Government's proposals which are summarised as follows:

- extend the regulatory deadline by which scale fees need to be set to enable the appointing person to take into account more up-to-date information;
- enable the appointing person to consult and agree standardised fee variations to be applied to all or certain groups of principal bodies;
- provide clarification on enabling some fee variations for additional elements of work to be approved during the audit; and
- expressly enable the appointing person to appoint auditors for the period that it considers to be the most appropriate, up to the maximum length of the appointing period subject to consultation with the relevant bodies.

The above proposals build on the success of the PSAA regime and provide practical flexibilities and interventions to strengthen the stability of the local audit market and address some of the factors that can result in issues with timeliness.

As the Redmond Review actions continue to progress, further updates will be presented to Members as necessary.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Table of Outstanding Issues (September 2021) – General.

Appendix B – Table of Outstanding Issues (September 2021) – External Audit Recommendations.

Appendix C - Table of Outstanding Issues – (September 2021) - Update against Annual Governance Statement Actions