

## EXTERNAL AUDIT UPDATE

<b>Head of Service:</b>	Lee Duffy, Chief Finance Officer
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?</b>	No
<b>If yes, reason urgent decision required:</b>	Not applicable
<b>Appendices (attached):</b>	1 – Annual Audit Letter 2019/20 2 – Housing Benefit Certification 2019/20 3 – External Audit Plan 2020/21

### Summary

This report presents the external auditor's Annual Audit Letter for the year ended 31 March 2020; the Housing Benefit Certification Letter for 2019/20; and the External Audit Plan for 2020/21. In accordance with audit regulations, these items must be presented to Committee.

### Recommendation (s)

**The Committee is asked to:**

- (1) Receive the Annual Audit Letter for 2019/20**
- (2) Receive the Housing Benefit Certification for 2019/20**
- (3) Receive the External Audit Plan for 2020/21**

### 1 Reason for Recommendation

- 1.1 The annual audit is an integral part of the controls in place for ensuring that the Council achieves its key Corporate Plan priority of being an Effective Council.
- 1.2 The recommendations will also enable to Council to meet its statutory obligations with regard to external audit.

### 2 Background

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- 2.1 Grant Thornton provides the Council's external audit work. The 2019/20 external audit provided the Council with an unqualified opinion on the accounts. Strategy and Resources Committee received Grant Thornton's final Audit Findings Report for 2019/20 at its meeting on 17 November 2020.
- 2.2 The Annual Audit Letter (Appendix 1) summarises the 2019/20 Audit Findings Report.
- 2.3 Grant Thornton have also certified the Council's housing benefit grant claim for the year-ended 31 March 2020.
- 2.4 The assurance process identified a small number of misclassifications affecting a small number of cases. This has resulted in a net £490 increase in the amount of Housing Benefit Subsidy Grant that the Council is claiming from the DWP for 2019/20. For context, the initial unaudited 2019/20 claim was for £17,951,156, and the audited claim is for £17,951,646. All errors have been corrected and Grant Thornton have certified the audited claim – the certification is attached at Appendix 2.
- 2.5 Officers have put in place additional measures to mitigate the risk of similar errors re-occurring in 2020/21, specifically by re-checking all cases where the same errors could occur and correcting them if necessary.
- 2.6 Grant Thornton have also prepared an audit plan for the 2020/21 Statement of Accounts audit as shown in Appendix 3.
- 2.7 The plan outlines the key risks and requirements for 2020/21, including a specific change to Value for Money reporting arrangements, following the National Audit Office's introduction of a new Code of Audit Practice for 2020/21.
- 2.8 As part of the Value for Money (VFM) opinion, auditors have always had to consider whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 2.9 While this remains the case, from 2020/21 the Code additionally requires that previously binary qualified/unqualified VFM conclusions must be replaced with more sophisticated judgements on performance, as well as key recommendations on any significant weakness in arrangements identified during the audit. Further details are set out in the audit plan.
- 2.10 Grant Thornton's Paul Cuttle is the new Engagement Lead for the external audit (replacing Sarah Ironmonger). Paul Cuttle will dial in to the committee meeting to introduce this item and answer any questions from Members.
- 2.11 Officers are satisfied that the audit plan addresses the key financial and governance issues.

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- 2.12 The Committee is asked to receive the three items – the Annual Audit Letter 2019/20 (Appendix 1), the Housing Benefits Grant Certification Letter 2019/20 (Appendix 2), and the External Audit Plan for 2020/21 (Appendix 3).

### **3 Risk Assessment**

Legal or other duties

#### **3.1 Impact Assessment**

- 3.1.1 The audit of the Council's financial statements and Housing Benefits subsidy claim comprise a key element of the Council's governance arrangements.

#### **3.2 Crime & Disorder**

- 3.2.1 None arising from the contents of this report.

#### **3.3 Safeguarding**

- 3.3.1 None arising from the contents of this report.

#### **3.4 Dependencies**

- 3.4.1 None arising from the contents of this report.

#### **3.5 Other**

- 3.5.1 None arising from the contents of this report.

### **4 Financial Implications**

- 4.1 The scale fee for the 2019/20 Statement of Accounts audit had originally been set at £34,425 by Public Sector Audit Appointments Ltd (the independent body responsible for setting audit fees). However, to reflect additional audit requirements required by the Financial Reporting Council, the independent PSAA subsequently agreed to a request from Grant Thornton to increase the fee by £9,750 to £44,175, as set-out on pages 15 and 16 of the Annual Audit Letter. The £44,175 audit fee has already been reported to Strategy and Resources Committee on 17 November 2020.

- 4.2 Since November's Committee, Grant Thornton have requested an additional £7,000 fee, to reflect extra planning and audit testing caused by Covid-19, as detailed on page 16 of the Annual Audit Letter. Officers turned down the proposed increase and so it has been referred to the independent PSAA for a decision. Should PSAA decide that the £7,000 fee is reasonable and therefore payable, it will take the total main audit fee for 2019/20 to £51,175.

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- 4.3 The Council's budget for the main audit fee is £36,750 and the potential additional fees exceed the budget by £14,425.
- 4.4 To fund increased audit fees, MHCLG has committed additional funding of £15m for the local government sector, however, EEBC has not yet been informed of its individual allocation.
- 4.5 The 2019/20 Housing Benefits Certification work has been completed, this is currently expected to be on budget at £16,000.
- 4.6 For 2020/21, the Housing Benefits Certification fee is expected to remain at £16,000 plus RPI inflation.
- 4.7 The main Statement of Accounts audit base fee for 2020/21 is expected to be £44,175, however this (along with any future fee changes) is subject to PSAA confirmation.
- 4.8 **Section 151 Officer's comments:** The Annual Audit Letter, Housing Benefits Certification, and External Audit Plan for 2020/21 form part of the overall external audit process for the Council. The Council received an unqualified opinion on its Statement of Accounts from the external auditor for 2019/20.

### 5 Legal Implications

- 5.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. Grant Thornton's work is undertaken in the context of the Statement of Responsibilities of Auditors and Audit Bodies issued by the Comptroller and Auditor General.
- 5.2 **Monitoring Officer's comments:** None arising from the contents of this report.

### 6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 6.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** No specific implications.
- 6.4 **Sustainability Policy & Community Safety Implications:** No specific implications.
- 6.5 **Partnerships:** No specific implications.

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### 7 Background papers

7.1 The documents referred to in compiling this report are as follows:

**Previous reports:**

- 2019-20 Statement of Accounts and Audit Findings Addendum – Strategy & Resources Committee, 17 November 2020.

**Other papers:**

- None.