

Grant Thornton Annual Audit Letter 2019/20

Date: 25th June 2021

Report of: the Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

- In accordance with proper audit practice, Grant Thornton have issued their Annual Audit Letter 2019/20. This gives a summary of the key audit findings which were reported to the Committee during their audit of the 2019/20 financial year. The Annual Audit Letter is attached as Appendix 2. The letter confirms that Grant Thornton were able to provide an unqualified opinion on the council's financial statements for 2019/20 and an 'except for' opinion on the council's arrangements to secure value for money for 2019/20.
- Appendix 1 also reports to the Committee the outcome of the audit of the council's Housing Benefit Subsidy claim for 2019/20, which is audited by Mazars.

Recommendations

- a) Members are asked to receive the Annual Audit Letter and note the conclusions arising from the 2019/20 external audit process.

Why is the proposal being put forward?

- 1 Under the Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports.

What impact will this proposal have?

Wards Affected:

Have ward members been consulted? Yes No

- 2 The report summarises the outcome of the 2019/20 external audit process, including the audit recommendations which were made and the actions agreed.

What consultation and engagement has taken place?

- 3 The Annual Audit Letter does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

What are the resource implications?

- 4 Grant Thornton's Annual Audit Letter includes their opinion as to whether the Council has proper arrangements for securing value for money during 2019/20.

What are the legal implications?

- 5 Under Section 4 of the Code of Audit Practice for public sector bodies, external auditors are required to issue an Annual Audit Letter summarising the main audit findings in relation to the financial year.

What are the key risks and how are they being managed?

- 6 Grant Thornton identified financial standing and the potential impact of Brexit as ongoing areas of risk to the council, and recommended that the council should continue to keep the level of its reserves and the potential for reducing expenditure under review. The review of these areas is an integral part of the Budget and Medium Term Financial Strategy processes.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 7 The report relates to the council's underlying financial position rather than to any particular aspect of service delivery.

Options, timescales and measuring success

a) What other options were considered?

- 8 The report summarise the outcome of the 2019/20 external audit process. It does not relate to a proposed course of action requiring options.

b) How will success be measured?

- 9 The report is a backward looking report which summarises the outcome of the 2019/20 external audit process. Grant Thornton will provide an update on the recommendations made for 2019/20 within their 2020/21 audit reporting.

c) What is the timetable for implementation?

- 10 The report relates to the 2019/20 financial year.

Appendices

- 11 Appendix 1 outlines the main issues arising.
- 12 Appendix 2 is Grant Thornton's Annual Audit Letter

Background papers

- 13 None.

Appendix 1 – 2019/20 audit process - Main Issues

1. Annual Audit Letter

- 1.1. The annual audit letter provides a summary of the findings from Grant Thornton's audit reports which have been issued in relation to the 2019/20 year.
- 1.2. During the year Grant Thornton issued an unqualified opinion on the 2019/20 Statement of Accounts. Grant Thornton's review of the council's Annual Governance Statement found that it was consistent with their understanding of the council. The Annual Audit Letter summarises their audit approach and findings in relation to the audit of the financial statements.
- 1.3. The Annual Audit Letter notes that at the date it was issued, Grant Thornton's audit of the council's WGA (Whole of Government Accounts) return for 2019/20 remained in progress, and that auditors are not permitted to certify that the audit for a financial year is completed until the WGA audit has been concluded. The Council's WGA audit has since been completed and the Council's final WGA return was submitted on 4th June.
- 1.4. Grant Thornton issued an 'except for' opinion on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources. They identified that the council's level of general fund reserves had been insufficient to manage the financial impact of an event on the scale of the covid pandemic without taking unplanned short term measures, and recommended that the council should continue to keep under review the adequacy of its level of reserves and the potential to reduce expenditure. The Annual Audit Letter outlines this aspect of the audit and its conclusions.
- 1.5. Grant Thornton's audit scale fee for the year was £178.6k, and the Audit Plan presented to the Committee in January 2020 prior to the impact of the covid pandemic advised the Council that Grant Thornton intended to propose an additional fee of £20.3k for their work. The Annual Audit Letter confirms that additional audit fees of £59.8k have been proposed. This is subject to approval by Public Sector Audit Appointments Ltd (PSAA), and at the time of issuing of this report £27.3k has been approved by PSAA and the remainder is under consideration.

2. Housing Benefit Subsidy grant claim audit

- 2.1. The audit of councils' Housing Benefit subsidy claims is subject to a separate appointment process rather than being part of the role of the appointed auditor. The council has appointed Mazars to audit its Housing Benefit subsidy claim.
- 2.2. The audit of the 2019/20 claim form concluded in March 2021. The audit identified a small number of errors, and some additional corrections were proposed by the council and agreed as part of the audit. The value of the initial grant claim was £205,127k, and the final audited claim was increased by £4,941 of corrections and £140 in relation to errors.