

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 25th June 2019

Subject: Grant Thornton Audit Progress Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Grant Thornton have provided the attached report, which outlines the progress they have made since the previous meeting of the committee towards delivering their overall 2018/19 audit.

Recommendations

2. Members of the Corporate Governance and Audit Committee are asked to receive and note the audit progress report presented by Grant Thornton.

1 Purpose of this report

- 1.1 To inform members of progress in delivering their overall audit of the Council's accounts and value for money arrangements. The attached report from Grant Thornton covers their 2018/19 IT audit and gives highlights of the progress made so far in their overall audit.

2 Background information

- 2.2 Grant Thornton's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. As the Council's external auditors, Grant Thornton are required to satisfy themselves that the Council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to conclude as to whether the Council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

3 Main issues

- 3.1 Grant Thornton's audit has two key objectives, to give an opinion on the council's financial statements (including confirming whether the annual governance statement is consistent with their understanding), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Their audit plan which was presented to the January meeting of the Committee set out their approach to this work and the planned timing of their reporting to the council during the year.
- 3.2 Grant Thornton's specialist IT auditors have carried out a review of the council's key financial systems, and the outcome of this work is presented in the attached report. Grant Thornton have made one recommendation, relating to generic user accounts on one of the systems reviewed. This has been assessed as a lower level risk which could give rise to inconsequential misstatements. Whilst the generic accounts are deactivated on the live system, there remains a risk that they could be wrongly activated and misused. Managers for the service have therefore responded that they will reduce the number of such accounts and introduce a monitoring system to confirm that the remaining generic accounts have not been activated.
- 3.3 Grant Thornton have also made a recommendation in relation to introducing a manual checking process for journals before they are posted in FMS. Journals are seen as high risk under auditing standards, due to the potential incentives in commercial organisations for individuals to fraudulently gain by manipulating or misrepresenting financial results. However for local authorities and other public sector bodies, there is limited incentive to deliberately misrepresent financial results, although human error is of course always possible.
- 3.4 There is a longstanding formal risk assessment in place for the different functions in FMS, which judges journals to be a low risk to the authority. This document also outlines the compensating controls in place to reduce the risk of errors happening and to ensure that any significant errors in journals are detected in retrospect. The FMS risk analysis is currently in the process of being refreshed, and Internal Audit

have been asked to review it once the refresh is complete. The possibility of introducing a secondary authorisation process for journals has been considered in the past by managers, with the conclusion that the low level of risk and the compensating controls in place mean that it would not be a justifiable use of resources to introduce such a check. Subject to any additional risk factors being identified either by the refresh itself or by Internal Audit's consideration of it, the Finance team feel that this conclusion is still valid.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The audit progress report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report does not raise any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 Under the Committee's terms of reference members are required to receive reports from the Council's external auditors.

4.4 Resources and value for money

4.4.1 The audit progress report outlines the areas which Grant Thornton have considered to date in assessing whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 As this is a factual report provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 The audit progress report identifies any findings so far in relation to the key risks which Grant Thornton have identified in their audit plan.

5 Conclusions

5.1 Grant Thornton have provided the Council with an update report outlining the progress made so far in their 2018/19 audit. The report makes two recommendations, one arising from their IT audit, and one from their review of internal controls.

6 Recommendations

6.1 Members of the Corporate Governance and Audit Committee are asked to receive and note the audit progress report presented by Grant Thornton.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.