

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 20 October 2020

From: Director of Finance and Commercial (s151 Officer)

Subject: **Statutory Auditor report to the Audit Committee on the 2019/20 Audit and the Council's Financial Report – Statement of Accounts 2019/20**

Portfolio Holder: Governance
Councillor Mrs I Sanderson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to present the
- Statutory Auditor Results Report for the year ended 31 March 2020
 - Management representation letter
 - Council's Financial Report 2019/20
- 1.2 Each year the Council produces its Financial Report which is required to be approved by a statutory auditor. In 2019/20 the appointed auditor is Ernst & Young LLP and the Audit Results Report will be published prior to the meeting. A member of Ernst & Young LLP will be at the meeting to present the report
- 1.3 The financial statements of the Council for the year ended 31 March 2020 are audited under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 as well as the Code of Audit Practice issued by the National Audit Office in 2020. The National Audit Office's Code of Audit Practice ("the Code") for Local Government Bodies requires a report to be issued from the External Auditor (Ernst & Young LLP) to those charged with governance – Audit, Governance and Standards Committee – on the work carried out during the audit, to discharge Ernst & Young's statutory audit responsibilities, together with any governance issues identified.
- 1.4 Public Sector Audit Appointments Ltd issues the 'Statement of responsibilities' for auditors which serves as the formal terms of engagement between the appointed auditors – Ernst & Young LLP – and the audited body – Audit, Governance and Standards Committee. The Terms of Appointment made by Public Sector Audit Appointments Ltd under the Local Audit (Appointing Person) Regulations 2015 applies to audits of the accounts from 2018/19 where the Public Sector Audit Appointments Ltd is responsible for appointing an auditor to principal local government bodies that have chosen to opt into its national auditor appointment arrangements. This Council opted in to these national auditor appointments in December 2016 and Ernst & Young LLP were appointed to audit the accounts of

Hambleton District Council for five years, for the accounts from 2018/19 to 2022/23. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the Public Sector Audit Appointments Ltd Board at its meeting on 14 December 2017

- 1.5 The national audit appointments arrangements were appointed as a result of a tender exercise where Ernst & Young LLP was appointed Hambleton District Council's auditor for £31,381 per annum. It has become apparent during 2019/20 that due to the multiple pressures and challenges which have arisen nationally in 2018/19 audits an increase in the number of proposed fee variations required for additional audit work has occurred. Fee variations occur due to the increased complexities of the activities that Councils are undertaking e.g. the creation of third party vehicles that involves group accounts resulting in audits taking more time and hence the increased cost.
- 1.6 The 2019/20 audit fee has been set by the Public Sector Audit appointments and hence due to the current national issues that are arising the Audit, Governance and Standards Committee needs to be aware that the Public Sector Audit Appointments Limited are working with the auditors to address the issues of a planned timetables and any likely fee variations. Ernst & Young LLP 'UK Government and Public-Sector Assurance Leader' wrote to the Council during February 2020 on this issues and therefore local discussions have occurred where Ernst & Young LLP have proposed a fee increase for 2019/20 of £57,125. The council has not accepted this fee increase based on the fact that the appointment was made as a result of the tender process. This matter is currently with Public Sector Audit Appointments Ltd. No update has been provided.
- 1.7 The Audit Results Report will summarise the findings from the 2019/20 audit which is substantially complete. It includes issues from the audit of the Financial Report - Statement of Accounts - and also the results of work undertaken to assess the Council's arrangements on value for money to secure economy, efficiency and effectiveness in the use of resources.
- 1.8 In the audit of the 2019/20 Financial Report, Ernst & Young LLP's Audit Results Report comments on, amongst other issues, areas where changes are required to the Draft Statement of Accounts 2019/20 and a member of Ernst & Young LLP will be at the meeting to discuss these matters.
- 1.9 In order to assist Members in their understanding of the 2019/209 Financial Report – Statement of Accounts – training is provided prior to this meeting in accordance with the CIPFA Code of Practice for Local Authority Audit Committees.
- 1.10 As part of the annual Audit, the Council is also required to write to Ernst & Young LLP confirming the position regarding issues such as compliance with regulations and the accuracy of records etc. This letter, known as the management representation letter, will be published prior to the meeting. It is appropriate that the management representation letter be discussed and agreed by those charged with governance – Audit, Governance and Standards Committee - and also signed by the Council's Director of Finance & Commercial, acting in the capacity of s151 Officer.

- 1.11 Finally, the Council is responsible for preparing and publishing its Financial Report - Statement of Accounts - accompanied by the Annual Governance Statement (AGS). These two documents will be published prior to the meeting. The Accounts and Audit Regulations 2014 require either Full Council or an appointed Committee to approve the Council's Financial Report - Statement of Accounts - and the Annual Governance Statement.
- 1.12 At Hambleton it is the Audit, Governance & Standards Committee that is charged with this responsibility, along with receiving the Audit Results Report. The Annual Governance Statement has been approved as part of this agenda on 20 October 2020. The Financial Report 2019/20 - Statement of Accounts – is approved by the Council's Director of Finance & Commercial (s151 Officer) and by the Council's statutory auditor - Ernst & Young LLP - and it is recommend for approval by the Audit, Governance & Standards Committee.

2.0 Risk Analysis

- 2.1 There are no risks associated with approving this report.

3.0 Recommendations

- 3.1 It is recommended that the Committee:-
- 1) accept the 'Audit Results Report – IAS 260' presented to the Audit, Governance & Standards Committee for the 2019/20 audit as prepared by Ernst & Young LLP;
 - 2) approve the signing of the Management Representation Letter by the Council's Director of Finance & Commercial, acting in the capacity of s151 Officer; and
 - 3) approve the audited Financial Report - Statement of Accounts – 2019/20.

Louise Branford-White
Director of Finance & Commercial (s151 officer)

Background papers: None

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