

East Herts Council Report

Audit and Governance Committee

Date of meeting: 5 April 2022

**Report by: Steven Linnett, Head of Strategic Finance & Property
(s.151 Officer)**

**Report title: Receipt of the External Auditor's Provisional Audit
Results Report 2020/21**

Ward(s) affected: All

Summary – The external auditor will present their Provisional Audit Results Report 2020/21 to the Committee setting out the provisional results of their delayed audit of the 2020/21 statement of

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a)** Receive and make any comments on the external auditor's Provisional Audit Results Report 2020/21
- b)** Note that the statement of accounts will need to be approved by the Sub-Committee sometime in the week commencing 25th April.
- c)** Thank the staff in Strategic Finance for producing the budget and Medium Term Financial Plan as well as facilitating the delayed external audit and commencing preparation for the closedown of the 2021/22 financial year

1.0 Proposal(s)

- 1.1 The delayed 2020/21 statement of accounts audit has been substantially completed and the external auditor

has issued a Provisional Audit Results Report setting out their audit work on the opinion on the 2020/21 statement of accounts, their assessment of risk and audit findings, indicative fee levels and a target signing off of the statement of accounts by week commencing 25th April which will require the Statement of Accounts Approval Sub-Committee to meet that week to approve the statement of accounts..

- 1.2 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.
- 1.3 The external auditor's Provisional Audit Results Report for 2020/21 is attached at Appendix A.
- 1.4 Officers have agreed to amend the accounts due to an error in the Analyse Local software which is used by a majority of local authorities to assist with Business Rates appeals provisions and also to assist with revenue protection. The Analyse Local software incorrectly included yield losses in future years. The accounts have been adjusted and the Collection Fund Earmarked Reserve, which exists to smooth out unusual movements in financial years relating to appeals and provisions in the Collection Fund has been reduced by £325k so that there is a nil effect on the General Fund.
- 1.5 The external auditor has indicated that after this adjustment they expect to give an unqualified audit opinion on the 2020/21 statement of accounts and an unqualified Value for Money conclusion.

2.0 Background

- 2.1 The Accounts and Audit Regulations 2015 (as amended) require local authorities to publish their audited statement of accounts by 30 September 2021. The external auditor was unable to resource the audit and it did not begin until

January 2022. The council was required to publish (which must include publication on the website) a notice stating that it has not been able to publish the statement of accounts and the reasons for this.

- 2.2 Only 9% of local authorities received an audit opinion by 30 September and Members will be aware of the virtual collapse of the local audit system. East Herts is doing comparatively well as a number of neighbouring district councils in Hertfordshire have not yet moved into the position of having Provisional Audit Results Reports being issued.

3.0 Reason(s)

- 3.1 The external auditor is required by auditing standards to present the Committee with their Audit Results Report. The external auditor is presenting their Provisional Audit Results report to this cycle of the full committee to facilitate approval of the statement of accounts later by the Sub Committee by allowing the full committee to consider the findings to date.

4.0 Options

- 4.1 Members can ask questions and make observations to the external auditor but they cannot reject the Provisional Audit Results Report.

5.0 Risks

- 5.1 The delay to the completion of the audit until the end of April means that staff will need to deal with audit queries whilst simultaneously preparing the 2021/22 accounts which may lead to delays and errors.
- 5.2 The production of the budget alongside the audit placed a huge strain on resources and required the Head of Strategic

Finance & Property and senior officers in Finance to work long hours and led to the process being both stressful and less than efficient than in previous years. Senior officers had to roll up their sleeves and undertake a lot of work usually undertaken by junior staff. This is not a sustainable position going forward and there is a risk that audit delays continue causing this to be potential situation for the next 2 years or so.

- 5.3 Since the pandemic staff across the council have left with no other employment to go to because they considerate too stressful to continue at the council and, if audit delays continue for 2 years, there is a risk that staff in Finance may do the same. Local recruitment exercises by neighbouring councils has demonstrated a shortage of quality candidates in finance in Hertfordshire. Therefore, as well as the risk of staff leaving, there is a risk that it will not be possible to recruit suitable staff, particularly qualified staff.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report

Health and Safety

No

Human Resources

These are contained in the main body of the report

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendices:

Appendix A – Provisional Audit Results Report

Background Papers:

None

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