

EXTERNAL AUDIT UPDATE
WDA/18/21

Recommendation

That:

1. Members note the contents of the report from the External Auditor

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EXTERNAL AUDIT UPDATE**WDA/18/21****Report of the Treasurer****1. Purpose of the Report**

- 1.1 In line with all other local authorities MRWA is subject to the requirement to have an external audit of its accounts and activities. For MRWA the external auditor is Grant Thornton.
- 1.2 The external audit regime has been subject to some changes, in particular in relation to the way the auditor reaches a conclusion on value for money arrangements and their need to make recommendations which have a statutory basis more routinely going forward.

2. Background

- 2.1 The external auditor has been unable to reach a conclusion on the audit for 2018-19 and 2019-20 for a number of reasons, including technical accounting adjustments, issues arising from Covid-19 and resourcing issues.
- 2.2 In order to ensure that the delayed accounts can be finalised the Authority has taken advice from an external consultant to enable the technical accounting entries to be agreed. It is anticipated that the outstanding statements of accounts will be completed this Autumn, and that they may be presented to Members at an Audit Committee for approval.
- 2.3 The delays to the 2018-19 and 2019-20 accounts have had a knock on effect on the completion of the audit for the 2020-21 statement of accounts, but it is anticipated that this will be completed once the earlier statements are agreed.
- 2.4 For MRWA the difficulties are exacerbated because the size of the finance team is limited. Where there is a delay to the completion of deadlines it can be very difficult to catch up as the finance function moves from accounts and auditing into budgeting. There is little scope for catching up quickly where deadlines are missed.

- 2.5 At the same time for the new year 2021-22 the arrangements for the Audit have been updated and the external auditor's report (attached at Appendix 1) provides information to Members on those changes.

3. The Auditor's duties

- 3.1 The external auditor has duties under the section 24 of the Audit and Accountability Act 2014 to make statutory recommendations where in their view the arrangements at a local authority require them to seek improvements. In light of the delays to the accounts the external auditor may consider making such recommendations with a view to ensuring the Authority is able to catch up with the delayed accounts and thereafter to maintain a timely and effective standard of financial reporting.
- 3.2 In prior periods the external auditor has not sought to make such recommendations. The expectation is that these kinds of recommendations will become more common across the local government sector going forward, as the combination of statutory duties and increases in auditing standards may require more intervention than has been the case.
- 3.3 The auditor has also set out in their report (at Appendix 1) the changes to the external audit regime going forwards. The particular focus of the changes is on the way that they reach their conclusion on the Authority's arrangements for securing value for money and the way that those assessments are reported.
- 3.4 The new value for money approach looks at three key elements:
- Financial sustainability
 - Governance; and
 - Improving economy, efficiency and effectiveness
- 3.5 These matters are dealt with in more detail in the external auditor's report, but it is likely that the extent of their review will represent an increase from prior periods as they are being required to expand the extent of their assessments.

4. Risk Implications

- 4.1 The external auditor may make statutory recommendations going forward, that require an authority response.

5. HR Implications

5.1 There are no new HR implications

6. Environmental Implications

6.1 There are no new environmental implications

7. Financial Implications

7.1 There are no financial implications associated with this report

8. Legal Implications

8.1 There are no legal implications associated with this report.

9. Conclusion

9.1 The accounts for 2018-19 and 2019-20 have been delayed for a number of reasons.

9.2 The external auditor may yet make statutory recommendations to help the Authority respond to the delays and to catch up for 2020-21.

9.3 The Auditor's approach to reaching their value for money conclusion is changing and will require a greater level of intervention than in recent years.

9.4 Members are asked to note the report.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.