

Sevenoaks District Council Audit Committee Training

14 July 2022



The statutory framework for external audit

- The Local Audit and Accountability Act 2014 provides for external audit from 1 April 2015
- Existing external audit contracts transferred to Public Sector Audit Appointments Ltd (PSAA) a company established by the Local Government Association
- The National Audit Office (NAO) prepares and maintains the Code of Audit Practice
- Other regulatory responsibilities are with the Cabinet Office, Department of Levelling Up, Housing and Communities and the Financial Reporting Council
- Councils appointed their own auditors from 1 April 2018 with auditors in post from December 2017
- PSAA Ltd announced the award of lots in June 2017, with Grant Thornton UK LLP being awarded the highest contract lot of 40%
- New procurement process currently in progress
- Creation of “system leader”



External Auditor Responsibilities

Opinion on the Statement of Accounts

- Financial Statements
- Annual Governance Statement
- Narrative Report

Annual Auditor's Report on Value for Money

Other Statutory Powers – Local Audit and Accountability Act 2014

- Section 27 - Public Interest Report
- Section 24 - Written Recommendations
- Section 28 - Unlawful Expenditure
- Section 30 - Advisory Notice
- Section 31 - Judicial Review
- Section 27/28 - Dealing with Objections from the Public



Roles and responsibilities

The Council:

- Maintains accounting records and internal control framework
- Prepares financial statements in accordance with legislative and regulatory requirements
- Ensures arrangements to secure economy efficiency and effectiveness in its use of resources

External Audit:

- Give an opinion on the financial statements
- Provide a conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources – the Value for Money conclusion
- Audit grants and returns
- Receive questions and objections

Internal Audit:

- Comply with PSIAS
- Test a wide range of internal controls and risk management objectives
- Provide assurance to management on the effectiveness of internal controls and how risks are being managed.

Audit Committee:

- Approves the plans for internal and external audit
- Receive the reports of internal and external audit
- Monitors management response to internal and external recommendations
- Approve the accounts and Annual Governance Statement



Frequently asked questions

Who decides what tests should be carried out as part of an audit?

International Standards on Auditing set out the procedures to be completed as part of the audit. Accounting firms establish a methodology which they apply to conform to those standards. In local governments auditors must also adhere to the NAO's Code of Audit Practice. Auditors undertake detailed risk assessment and plan work to address

Who audits the auditor?

All audit firms are subject to review by the Audit Quality Review Team, which is a division of the Financial Reporting Council. Public sector audits are also reviewed by Public Sector Audit Appointments Limited, the firm overseeing local government audit contracts. GT has its own National audit review regime as well.

Can the auditor force us to change our accounts?

No, the Audit Committee is responsible for approving the accounts prepared by management. However, the auditor can advise the Audit Committee that the opinion on the accounts would need to be qualified if requested changes are not made.



Problems in sector

System of local government audit close to “breaking point”

Public Accounts Committee “if local authorities are to effectively recover from the pandemic, it is critical that citizens have the necessary assurances that their finances are in order and being managed in the correct manner.” “Delays and quality issues undermine the value and purpose of audit, reducing the assurance to taxpayers and elected representatives.”

- 9% of audits met 2020/21 deadline
- Increased complexity in Local Government accounting
- Weaknesses in finance teams
- Risk and reward and barriers to entrants
- Difficulties in recruiting and retaining audit staff



Future developments

Procurement:

- 470 (99%) of the 475 eligible bodies decided to become opted-in bodies.
- PASS to consult with opted-in bodies on proposed auditor appointments during the late summer/autumn 2022; and
- Auditor appointments by 31 December 2022.

Government actions:

- Audit, Reporting and Governance Authority (ARGA) to be system leader
- Considering rules around Key Audit Partners
- Guidance for Audit Committees and grants for training
- Financial support
- Potential changes to the Code



External Audit perspective – an effective Audit Committee

support improvements by promoting good governance and call in of officers

embedding ethical values and countering fraud

support effective arrangements to manage risks

appropriate skills, with a supported programme of training

support achievement of the authority's objectives and robust internal control

support effective audit and assurance

support improvements for Value for Money

well managed and attended meetings



Questions ?

