

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 30 NOVEMBER 2016 AT 10.15 AM

UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS FOR 2016/17 AUDIT

Report of the Director of Resources

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Executive Member: C M Hayward, Resources and Performance

1. Purpose of the Report

1.1 To provide the Committee with an update on actions taken in response to the 2015/16 Audit Results Report (ARR) and in preparation for the audit of the 2016/17 accounting statements.

2. Summary

2.1 Ernst & Young LLP (EY) issued an unqualified opinion on the 2015/16 accounts, and made no specific recommendations. A small number of issues were raised, and this report details action being taken to address these in the 2016/17 accounts. EY have issued their Audit Letter (Item 2 on this agenda), which includes the points raised in the ARR, and looks ahead to future issues and risks.

3. Recommendations

3.1 The Committee is invited to note and comment upon this report.

4. Actions to prepare for 2016/17 and subsequent audits

4.1 Finance has undertaken a review of the accounts closure and audit process, identifying further opportunities for more efficient coordination of information and use of reporting, and ensuring that key processes are maintained effectively throughout the year, to minimise additional work at year end. A 'lessons learned' and training session has been run for the whole team.

4.2 Particular focus has been placed on reviewing critical path activities, to see where efficiencies can be achieved. From 2017/18, there is a statutory requirement to produce the draft accounts by 31 May and final audited accounts by 31 July; Hertfordshire County Council is planning to produce the draft accounts by the revised deadlines a year early (i.e. for the 2016/17 financial year), in order to further develop and embed the new approaches introduced in the 2015/16 accounts closedown, and identify areas of improvement and any risks to be addressed. We are also continuing to work with EY on how we can streamline the audit process.

- 4.3 In the ARR, EY reported that they had gained assurance in the key risk areas of property asset valuations including changes in reporting requirements under IFRS 13; new accounting arrangements for the Better Care Fund; management override risk and fraud in revenue recognition. We will continue to ensure that the robust procedures put in place in these areas are maintained in 2016/17 and future years.
- 4.4 CIPFA have recently advised that new requirements for the valuation and reporting of transport infrastructure assets will not be introduced until the 2017/18 accounts, rather than in 2016/17. Officers had been preparing for this change, assessing information requirements and attending training. The Council is in a good position as it has officer representation on the Highways Asset Management Finance Information Group, which is working with CIPFA and the Department of Transport on the implementation of the Code.
- 4.5 In their Value for Money conclusion, EY note there is a significant risk in relation to the arrangements for sustainable resource deployment because the Council has a significant gap between its spending plans and expected income in its medium term financial strategy. During the audit, EY did not identify any significant weaknesses in the Council's arrangements for sustainable resource deployment and concluded that the Council has put in place proper arrangements to secure value for money in its use of resources. This is being taken forward in the 2017/18 – 2019/20 Integrated Plan to formalise savings plans to meet this gap.