

HERTFORDSHIRE COUNTY COUNCIL**AUDIT COMMITTEE
FRIDAY 1 DECEMBER 2017 AT 10.00 AM****UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS
FOR 2017/18 AUDIT***Report of the Director of Resources*

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1. Purpose of the Report

- 1.1 To provide the Committee with an update on actions taken in response to the 2016/17 Audit Results Report (ARR) and in preparation for the audit of the 2017/18 accounting statements.

2. Summary

- 2.1 Ernst & Young LLP (EY) issued an unqualified opinion on the 2016/17 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 2017/18 accounts. EY have issued their Audit Letter (item 3 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 2017/18 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, and processes have been reviewed and where necessary strengthened in the small number of areas where audit differences were identified.
- 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 well placed to deliver the draft accounts by 31 May having undertaken a "dry-run" during 2016/17 and successfully delivering a set of draft accounts for senior management review by 23 May.
- 4.3 Given the revised timescales to complete the audit of the accounts in 2017/18, EY nationally are planning on moving from completing 25% of their audit work prior to end of the financial year to 60% (interim audit), to reduce the pressures during the main

audit. As all local authority audits will need to be completed by 31 July, audit providers are having to schedule resources carefully and reprofile work where possible.

- 4.4 Officers are working with EY in developing the timetable for the 2017/18 audit plan. This includes agreeing both the overall timetable for audit work and the specific areas of early review to accommodate the earlier audit completions. EY are targeting specific slots with their clients, and for Hertfordshire County Council are proposing to undertake a significant amount of audit work during February, with the balance taking place in June and July. The February work plan will include early sampling of transactions by EY, as well as the County Council providing documentation of some activities, such as review of accounting policies and judgements, before year end. A draft timetable of Hertfordshire County Council activities to meet these timescales has been prepared and is being agreed with services and partner organisations.
- 4.5 In their Value for Money review EY reported one risk regarding the impact of continuing reductions in central government funding, and the need to identify significant savings from 2017/18 and in future years. EY did not identify any significant weaknesses in the Council's arrangements for sustainable resource deployment, and concluded that the Council has a robust budget setting process in place. The achievement of 2017/18 savings is being monitored and risk assessed within the Finance monitor; and for future years the 2018/19 – 2021/22 Integrated Plan process is formalising savings plans required to meet the budget gap.