

External Audit Update - 2021/22

Audit & Scrutiny Committee Thursday, 11th April 2024

Report of: Director of Resources (Section 151)

Purpose: Information

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

This report is to inform the Committee of the result of the external audit of the Council's 2021/22 Statement of Accounts and to receive the external auditor's draft Audit Findings Report.

The report also sets out progress to-date in addressing audit fees with Deloitte and PSAA for the financial years 2019/20, 2020/21 and 2021/22.

This report supports the Council's priority of: Building a better Council.

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Recommendation to Committee:

Note the contents of the draft Audit Findings Report (AFR) as attached at Appendix A.

Reason for recommendation:

Local authorities are required to prepare an annual statement of accounts, publish such accounts and have those accounts audited. Audit and Scrutiny Committee is responsible for approving the final audited statements.

2021/22 External audit

1. This Committee received an update and noted the progress made in the external audit of the 2021/22 Statement of Accounts, in February 2024. The report highlighted that good progress had been made in completing the 2021/22 audit. Although the audit was still ongoing, a number of areas were substantially complete and overall the audit was 65% complete. Work has progressed and the audit is now 80% complete.
2. Deloitte and the Council's Finance team have been working to complete the outstanding queries and the internal quality review to enable sign off of the Council's Statement of Accounts.
3. The auditor has provided a commentary and recommendations on the Statement of Accounts in their draft Audit Findings Report attached Appendix A).
4. The auditor anticipates issuing an unqualified opinion on the financial statements.

2021/22 Audit Findings

5. The Draft Audit Findings Report 2021/22 is presented in Appendix A and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations. It also shares the results of the external auditor's work undertaken to assess the Council's arrangements to secure value for money in the use of resources and any recommendations made.
6. At the beginning of the audit, the auditors produce an audit plan, which was reported to Audit & Scrutiny Committee initially in September 2022 and finally in June 2023. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to these risk areas.
7. Appendix A of the Audit Findings Report identifies required changes made to the draft Statement of Accounts. When this is finalised, the agreed changes and control improvements will be reported to Committee.

Audit Fees 2019/20 and 2020/21

1. As previously reported the fee proposals from Deloitte are as follows:
 - 2019/20: £136k
 - 2020/21: £209k
 - **Total: £345k**

This can be compared to the standard scale fee of £36k per year for both 2019/20 and 2020/21. It represents a 479% increase and 3% of the Council's annual budget.

2. As reported to Committee in November both the Council and Deloitte had submitted evidence in respect of the fees incurred to Public Sector Audit Appointments (PSAA) and a decision was expected in due course.
3. Officers received a response from PSAA on 28th March 2024. The response outlines the process PSAA used to review the fee variations submitted by Deloitte and the assessment of each of the proposals. The initial response from PSAA reduces the fee variation by £80k from £345k to £265k, however Officers believe that further conversations and work is required with PSAA. In consultation with the Chair and Vice Chair, Officers are continuing to discuss this position with PSAA and are not presenting the fees for approval at this stage, until that position has been clarified.
4. As reported to previous Committee meetings, the scale fee set by PSAA for the 2021/22 audit is £36k (the same as the previous two years). Deloitte reported to the November Audit and Scrutiny Committee that they proposed to increase the audit fee for 2021/22 to £66k as a result of additional work required to assess Value for Money (VFM), increased use of specialist expertise and changes to various International Auditing Standards. Deloitte also reported that they have incurred additional costs of £63k due to a delay in providing information. These figures are provisional and further amendments may be proposed. Similarly, the Council will continue to challenge any proposed fees if it does not deem them to offer value for money.

Consultation

Not required.

Key implications

Comments of the Chief Finance Officer

The financial implications of the report are set out above. The external auditor has pointed out that it is likely that fee variations will be required. The Director of Resources will continue to advise Deloitte that, in accordance with PSAA requirements, the fee implications should be discussed with Management at the earliest opportunity and will be subject to Committee approval.

Comments of the Head of Legal Services

In relation to the Council's Constitution and the specific role and responsibilities of this Committee the Constitution provides that the overall purpose of the Committee is *'to be responsible for the review and scrutiny of the decisions and performance of the Council, audit arrangements and providing opportunities for other organisations to present / explain key aspects of their local services'*. In particular, the Committee is responsible for overseeing both internal and external audit helping to ensure that efficient and effective assurance arrangements are in place.

To discharge its functions effectively, the Committee is required to operate within their agreed Terms of Reference. The external auditor's plan is designed to ensure that.

Equality

There are no Equalities implications directly arising from the statutory audit of the financial statements.

Climate change

There are no Climate Change implications directly arising from the statutory audit of the financial statements.

Appendices

Appendix A – Deloitte Draft Audit Findings Report

Background papers

None

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