

External Audit update

Audit & Scrutiny Committee Tuesday, 24 September 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 progress to-date in the external audit of years 2021/22 to 2023/24 as well as 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: Financial prudence and sustainability.

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Recommendation to Committee:

That Committee:

Note the progress in dealing with external audit matters for 2019/20 through to 2023/24.

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. This report ensures the Committee is informed of the latest position.

Introduction and background

Financial Year 2021/22

At the last Committee meeting an update was provided by the Audit Director at Deloitte, on the progress made on the 2021/22 audit. This included Deloitte audit team members present in the Council offices for a week in July, although Deloitte did acknowledge that completion of the 2021/22 audit could not be guaranteed by the end of July.

Officers shared concerns that should the 2021/22 audit not conclude by 19th July that further delays would jeopardise the timeline for Grant Thornton's audit of the 2023/24 accounts, which needed to take priority. The recommendation was put forward, and subsequently resolved, that officers cease to prioritise the 2021/22 external audit beyond the end of July 2024. Whilst this prioritisation ceased, background work continued in August and September to address a limited number of outstanding points and finalise the audit.

At the time of drafting this report, three queries remain open, and work continues to resolve these issues to avoid a modified audit opinion and/or additional cost. This work is not presently delaying the timetable for 2023/24 but cannot continue indefinitely.

Financial Year 2022/23

On 31 July 2024, MHCLG confirmed that the backstop date for audits up-to-and-including 2022/23 would be 13 December 2024. Officers await information to be provided by Deloitte as to the minimum requirements to adhere to the backstop arrangement.

Financial Year 2023/24

Officers met with Grant Thornton at the beginning of September and Grant Thornton expressed concern at the number of District Councils that are yet to publish draft Statements of Account (SOA) for the 2023/24 financial year, including TDC. GT have been asked to provide a date by which publication of 2023/24 needs to take place in order to facilitate the audit.

In addition to IT having previously completed a systems walkthrough, business process walkthrough have started and fieldwork is scheduled to commence in October.

Pending progress on publishing the draft SOA, Grant Thornton will share the audit plan at the December meeting. The backstop date for the 2023/24 audit is February 2025. Officers are in discussions with Grant Thornton to determine how much audit work can be completed by that point as delivering a full audit will be challenging and may not offer value for money.

Audit Fees

2019/20 and 2020/21

As reported previously the Council and Deloitte submitted evidence in respect of the fees incurred for 2019/20 and 2020/21 to Public Sector Audit Appointments (PSAA). Officers received a response from PSAA on 28th March 2024. The initial response from PSAA reduced the fee variation relating to 2019/20 and 2020/21 by £80k from £345k to £265k, however Officers believed that further conversations and work was required with PSAA.

Further correspondence from PSAA was received on 29th July restating the previous position. In consultation with the Committee Chairman, Officers responded to PSAA regarding the 2019/20 and 2020/21 fee variations and await further correspondence.

2021/22

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 have also reported that they have incurred additional costs of £148k due additional work throughout the audit. Since no further information has been provided by Deloitte since this update, this is assumed to be the latest position. Officers have set out to Deloitte that any such variance would follow the same process of challenge, through the PSAA.

Overall

The latest indicative overall fee variation exceeds available budget by £425k. Government 'New Burdens' funding of £18k has been received to contribute to the years currently under discussion, which is included within the £425k. Committee approval will be sought prior to paying any fee beyond the £36k scale fee.

- 2019/20: £109k*
- 2020/21: £156k*
- 2021/22: £161k**
- Total: £426k

*net of Public Sector Audit Appointments (PSAA) fee variation reduction of £80k across 2019/20 and 2020/21

**net of New Burdens funding

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

None

Background papers

None

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