

External Audit - audit plan update for 2021/2022 accounts

Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Chief Finance Officer (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report accompanies the External Auditor (Deloitte)'s indicative plan for auditing the Council's Statement of Accounts for 2021/22.

The approach is set out in Appendix A and shows the principal matters that the audit will focus on.

The external auditor will attend the meeting in order to discuss the plan in more detail and respond to any questions from committee members. The audit plan will be finalised following the completion of the 2020/21 audit.

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

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Recommendation to Committee:

That committee approve the External Audit Plan for the 2021/22 accounts.

Reason for recommendation:

External auditors are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. Audit and Scrutiny Committee is responsible for approving that plan under its remit to "resolve issues arising out of the financial audit of the accounts." The indicative plan allows management and the external auditor to progress work on the 2021/22 audit, pending finalisation.

Introduction and timeline

1. The production and audit of the Statement of Accounts for Tandridge District Council is running some way behind statutory deadlines. Delays to the production and audit of accounts are not uncommon in the Local Government sector, however the Council saw particular delays in the audit of its 2019/20 accounts, which were reported to A&S committee on 27th January 2022 along with delegated authority for the S151 officer and the chair of the committee to sign.
2. Whilst there is no specific sanction for delays to publishing the accounts, a delay to the audit has a knock-on effect on resourcing within the Finance team. It also means that recommended improvements are not identified promptly and therefore are implemented later than they otherwise would have been. Officers are working closely with the external auditors to improve the situation and establish better working practices.
3. The following table sets out expected deadlines for each financial year, and progress in delivery. The table will be updated in subsequent reports to show progress and ensure that the committee is sighted on the delays.

Year	Deadline	Actual / Expected	Delay	Months after Financial Year End
2019/20	November 2020	Actual January 2022	14 months	22 months
2020/21	September 2021	To be confirmed pending finalisation and quality assurance of audit field work		
2021/22	November 2022	To be confirmed pending detailed project plan		

4. The delay to 2019/20's accounts has had a knock-on effect on the audit for 2020/21's accounts, which is ongoing and subject to a separate report to this committee. Because the 2020/21 audit is ongoing, the plan for 2021/22 is deemed to be indicative at this point, since the external auditors cannot be sure that all risks have been identified. It will be updated as appropriate on the conclusion of the 2020/21 audit.

5. Similarly, a detailed plan setting out timelines for completion of the 2021/22 audit will be agreed between external auditors and management upon completion of the 2020/21 audit.
6. A final plan will be brought to this committee for approval.

Key Issues

7. Pages 4 to 6 set out significant audit risks to be addressed:
 - **Capital Expenditure**
 - **Property Valuations**
 - **Management Override of Controls**
 - **Pension Valuations**
8. These are standard risks across local authority audits and do not indicate that the auditor has concerns to this Council. Further detail is set out in the Appendix.

Value for Money

9. The approach to the Value for Money review is changing for all Local Government audits for financial years 2021/22 onwards. The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). Further details are provided on Page 7 of the Appendix.

Audit Fees

10. The standard audit fee for 2021/22 is £35k. Page 9 of the Appendix sets out issues relating to the perceived inadequacy of the fee, along with an expectation that fees will increase. During 2021/22, Government provided the Council £18k of additional funding to meet the increased cost of external audit. Some increase in scale fee is therefore to be expected, but officers will review closely before bringing a position to the committee for approval. The report notes that the audit fees for 2019/20 and 2020/21 are still open. At time of writing, officers have not been presented with proposed fees. Once received and following management review, these will be presented to committee for approval.

Key implications

Comments of the Chief Finance Officer

The financial implications of the report are set out above. There are no direct financial consequences from the proposed recommendation to agree the indicative audit plan.

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.

Appendices

Appendix 1 – Tandridge District Council – Indicative Planning report to the Audit and Scrutiny Committee for the 2021/22 audit.

Background papers

None

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