

# External Audit - finalisation of 2020/2021 accounts

## Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Chief Finance Officer (Section 151)

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Purpose: For note

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Publication status: Unrestricted

Wards affected: All wards

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### Executive summary:

Deloitte have provided a Draft Report to the Audit and Scrutiny committee covering the 2020/21 audit, attached as an appendix to this report. The audit is at an advanced stage however a number of items are to be finalised. The report sets out the current status and conclusions thus far.

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

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### Recommendation to Committee:

The current position with regard to the Statement of Accounts 2020/21 be noted.

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### Reason for recommendation:

The report provides an update to the Audit and Scrutiny committee on the finalisation of the 2020/21 audit. When the audit is complete, an updated document with any changes highlighted will be provided to committee, along with the final accounts for signing.

Officers have discussed the timescale for finalisation with Deloitte. Whilst it is the intention to present the final position to the next committee, Deloitte and

officers cannot guarantee this until quality assurance work is complete. Both parties are committed to concluding the audit as soon as possible.

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## **Overview**

1. The Council's external auditors, Deloitte, have provided a report to inform committee of the current position of the audit of the Council's 2020/21 financial statements. This report is set out in Appendix A.
2. No significant financial reporting issues have been raised in the draft report. A potential adjustment in respect of the pension liability is being discussed with the external auditor and Surrey Pension Fund to determine whether a change to the accounts is required. This change would have no impact on the General Fund, Housing Revenue Account or overall budgetary position of the Council and, if required, would be a technical adjustment to the balance sheet.
3. The report refers to the Council's adherence to expected audit responses on page 6, and flags this as a significant issue, which management acknowledge. The Joint Working Arrangement for Finance has been maturing over the course of this audit and now puts us in a better position to respond appropriately. We will track performance on a regular basis with Deloitte and look to address remaining issues. The report focuses necessarily on the Council's performance however there are concerns over the resourcing and responsiveness of both parties, and management are working with Deloitte constructively to address.

## **Value for Money Report**

4. The report sets out a qualified Value for Money opinion, highlighting significant weaknesses in respect of arrangements for financial sustainability and governance. The Value for Money review is backward-looking and refers to arrangements in place for the 2020/21 financial year. Any improvements to our approach beyond 2020/21 cannot be factored into this audit.
5. Any new recommendations arising from the Value for Money review will be addressed by officers and reported to this committee when they have been finalised by Deloitte. However, the qualified Value for Money report for 2020/21 was expected, given the issues previously reported to committee, including:
  - The Council's low level of reserves;
  - An error in the budgeting for pension costs, subject to the Grant Thornton review; and
  - The 'limited assurance' conclusion of the 2020/21 Internal Audit report

A number of these issues are likely to persist into the 2021/22 Value-for-Money review, but either have been or are being addressed through the Tandridge Finance Transformation Programme and the Future Tandridge Programme. The two programmes were developed with the knowledge of these issues and designed to address them.

## **Other Findings**

6. Page 17 of the Appendix set out findings and a recommendation in respect of the reviewing the control environment. The management response needs to be developed and agreed with Deloitte in order to give committee assurance that the control weaknesses are addressed.

## **Other options considered**

The completion of the audit is a statutory requirement.

## **Consultation**

Not required.

## **Key implications**

### **Comments of the Chief Finance Officer**

There are no direct financial implications of this report. The audit fee, which is yet to be proposed by Deloitte, will be subject to discussion with officers and approval by committee.

### **Comments of the Head of Legal Services**

Although there is a requirement for local authorities to publish audited accounts under the Accounts and Audit Regulations 2015 by a particular date (30 September 2021 for 2020/21 accounts), but this is not a statutory deadline. The significantly delayed audit is nevertheless putting a serious gap in the Council's accountability to residents and undermining public confidence and trust.

Furthermore, as Deloitte is unable complete their work on the Council's accounts submission for 2020-21, the Council is prevented from issuing the notice of conclusion required by Regulation 16 of the Accounts and Audit (England) Regulations 2015.

## **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 – Draft Tandridge District Council Report to the Audit & Scrutiny committee on the 2020/21 audit.

## **Background papers**

None

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