

# External Audit - 20/21 Accounts

## Audit & Scrutiny Committee Tuesday, 6th December 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 an update report to the Audit and Scrutiny committee covering the 2020/21 audit, attached as an appendix to this report. Significant progress has been made since the previous report in September. The report sets out the current status and conclusions thus far, along with a summary of outstanding actions.

It is disappointing that the audit is not yet finalised, however there is demonstrable progress, with a limited number of issues identified in the accounts. There is some difficulty with the audit of collection fund, as set out in paragraph 5.

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

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## **Overview**

1. The Council's external auditors, Deloitte, have provided a report to inform the 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. This was reported to the Committee previously.
3. Subsequent adjustments in respect of asset valuation and debtors are presented for management's consideration. Discussions are ongoing in respect of these adjustments as some have the potential, in management's view, to make the accounts less accurate than as currently drafted. Once these discussions are concluded, a point-by-point response will be provided, setting out which were accepted and which not, with accompanying narrative.
4. The report refers to the quality of Council working papers and records, on pages 4 and 7. 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.

## **Other Issues**

5. A key outstanding issue is the audit of collection fund – the holding account for business rates and council tax collected on behalf of Tandridge District Council, the County Council, Police, Central Government and the Parishes.
6. The Council previously used the 'Academy' Revenues and Benefits system to manage its collection fund, but changed suppliers to 'NEC' during 2021/22. The Council has retained all usual records from Academy in respect of 2020/21 balances, however the audit approach for 2020/21 has significantly changed the level of detail required to be extracted from the system. This change in audit approach has become apparent since the last meeting of this Committee.
7. At time of writing, it is unclear whether our access to archived records in Academy will be sufficient to satisfy the increased audit requirements. Data

required under the previous audit regime has been retained so the difficulties relate to a change in audit expectation, exacerbated by the replacement of systems and the amount of elapsed time since the 31<sup>st</sup> March 2021 balance sheet date.

8. The Chief Accountant is working with the Revenues and Benefits team and auditors to agree a sensible conclusion to the issue. It is possible that there will be a cost involved in retrieving data from the previous supplier. In that event, a decision would be needed on whether it represented value for money for taxpayers, weighed against the conclusions that the auditors would draw in the absence of that data.
9. A verbal update will be provided to the Committee following the publication of this report.

### **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 – Audit update to the Audit & Scrutiny Committee on the 2020/21 audit

## **Background papers**

None

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