

External Audit - 20/21 Accounts Update

Audit & Scrutiny Committee Tuesday, 4 April 2023

Report of: Chief Finance Officer (Section 151)

Purpose: For Decision

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

The Council's external auditors, Deloitte LLP have provided an a Final ISA260 report to the Audit and Scrutiny committee covering the 2020/21 audit, attached as Appendix A to this report. The report sets out the conclusions reached during the 2020/21 audit, along with their findings and a summary of outstanding actions. The report includes the results of their work on key audit judgements and their observations on the quality of our Annual Report.

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

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Recommendation to Committee:

1. The final ISA260 report for the 2020/21 accounts be received.
 2. Committee consider the recommended adjustments to the accounts and management's reasons for not accepting the adjustments, and approve that the accounts should remain unchanged.
 3. Delegate authority to the Chair or Vice Chair to sign the accounts.
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Reason for recommendation:

The report provides an update to the Audit & Scrutiny committee on the finalisation of the 2020/21 audit. As part of the formal process of closing the Council's 2020/21 the Audit committee is required to approve the audited accounts and delegate authority to the Chair or Vice chair to sign the final document.

Overview

1. The Council's external auditors, Deloitte, have provided a Final report to inform the Committee of the conclusion of the audit of the Council's 2020/21 financial statements. This report is set out in Appendix A.
2. An update report to committee dated 23 February reported that the audit was at an advanced stage but remained ongoing and there were some key outstanding issues. Work has continued since that meeting to finalise the audit and these issues have been resolved.
3. The report has not identified any material adjustments or disclosure deficiencies. Deloitte expect to issue an unqualified opinion in respect of the statement of accounts.
4. In respect of value for money Deloitte are issuing an opinion with identified significant weaknesses in respect of 2020/21. Weaknesses are reported in the areas of financial sustainability and governance. These issues are outlined in the report. Committee has previously received a document showing how these weaknesses are being addressed through the Tandridge Finance Transformation Programme and the Future Tandridge Programme.
5. Under International standards of auditing (ISA) Deloitte are required to obtain the understanding of the relevant controls and perform design and implementation testing in respect of the significant risks. The report includes recommendations in this area with management responses and remediation plans.
6. Deloitte are required to communicate all misstatements accumulated during the audit to the Audit and Scrutiny Committee. The auditor shall request management to correct those misstatements. The misstatements are part of the appendices to their report (page 33) and are discussed in more detail in Appendix B to this report.
7. The report refers to the quality of Council working papers and records, on page 21. 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. 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 going forward.
8. The Final ISA260 report sets out a series of immaterial errors detected in the accounts and recommends that Committee ask management to correct as

required by ISAs. Management recommend that these adjustments are not corrected. Appendix B sets out Management's response to these adjustments, including reasons not to correct. The overarching reason to leave the accounts uncorrected is that the adjustments are immaterial, do not affect the audit opinion and therefore do not warrant the investment in officer time to action. Attention should turn immediately to completing and auditing the 2021/22 accounts.

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. The 2020/21 accounts should be resolved as soon as possible with attention turning to 2021/22. The CFO recommends that the immaterial misstatements do not warrant additional officer and auditor time spent addressing.

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), 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.

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 ISA260 report for the 2020/21 statement of accounts

Appendix B – Unadjusted Misstatements

Appendix C – the 2020/21 Statement of accounts

Background papers

None

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