

External Audit - 2020/21 Accounts

Audit & Scrutiny Committee Tuesday, 27th June 2023

Report of: Chief Finance Officer (Section 151)

Purpose: To update the Committee on the audit of the 2020/21 accounts and proposed fees for 2019/20 and 2020/21.

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

At its meeting on 4th April 2023, the Audit and Scrutiny Committee received confirmation that the Council's external auditors Deloitte had substantially completed their audit of the 2020/21 accounts. The Committee were also informed about the conclusions reached during the 2020/21 audit, along with their findings and a summary of outstanding actions. Since that meeting Deloitte have signed the accounts and issued their signed audit opinion. The signed opinion is attached as Appendix 1.

Additionally, fee variations for 2019/20 and 2020/21 have been proposed by Deloitte. The report sets out these variations and proposes a course of action to address.

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

Contact officer Mark Hak-Sanders Chief Finance Officer (S151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

1. Note the signed audit opinion for the 2020/21 accounts.
2. Reject the proposed fee variations for 2019/20 and 2020/21 as set out in Appendix 2.
3. Note that officers have begun the process to challenge the fees and will report back to Committee as this work progresses.

Reason for recommendation:

The report provides an update to the Audit & Scrutiny Committee on the finalisation of the 2020/21 audit.

The report sets out the proposed audit fees for 2019/20 and 2020/21, which management dispute and are in the process of seeking advice on appropriate next steps.

Overview

1. The Council's external auditors, Deloitte, have provided their signed audit opinion to inform the Committee of the conclusion of the audit of the Council's 2020/21 financial statements. This opinion is set out in Appendix 1.
2. The key points to note from the report are as follows:
 - The accounts for 2020/21 give a true and fair view of the financial position of the group and of the Authority as at 31st March 2021, and the group's and the Council's expenditure and income for the year then ended.
 - The accounts have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
 - The auditors have not identified any material uncertainty in respect of the Council's ability to continue as a going concern.
 - Findings in respect of governance arrangements and arrangements to secure financial sustainability, as reported to the Committee previously and relating specifically to the 2020/21 financial year, are repeated.
 - The auditors acknowledge that progress had been made in respect of the above.
 - The full value for money report is to follow.
3. An emphasis of matter in respect of the impact of Covid-19 on asset valuations has been included in the report. This is a standard inclusion on Local Authority audits for 2020/21, given the material uncertainty caused by the pandemic for asset valuations.
4. Deloitte have issued an unqualified opinion in respect of the statement of accounts.

Proposed Audit Fees

5. On 11th May 2023, Deloitte provided a document proposing additional audit fees for 2019/20 and 2020/21. The fees are set out in Appendix 2 and summarised as follows:
 - 2019/20: £136k
 - 2020/21: £209k
 - Total: £345k

6. For context, the standard scale fee for 2019/20 and 2020/21 was £36k per year. This proposal represents a 479% increase. The variation represents 3% of the Council's annual budget.
7. The S151 Officer has informed Deloitte that the Council intends to challenge these fees and has begun the process to seek advice from the Head of Legal Services, and from Public Sector Audit Appointments (PSAA) Ltd who procure auditors, set the standard scale fees and allocate auditors to each Council. PSAA will be involved in agreeing the final fee. The S151 Officer recommends that Committee reject the proposed fees, pending further due assessment and negotiation with PSAA.
8. For context, the PSAA requirement for audit fee variations is as follows:

"Auditors are obliged to have local discussions with individual opted-in bodies about any proposed fee variations. These discussions should take place at the earliest opportunity, and wherever possible the auditors should highlight to the audited body at the planning stage any additional work which is likely to be required during the audit, including potential fee implications. While it may not be possible to quantify the proposed fee until the work is done, early discussion can help to avoid misunderstandings at a later stage." - PSAA website.
9. It should be noted that the accounts for financial year 2019/20 were signed on 27th January 2022 and so 15 months elapsed before the Council received a proposed fee.

Other options considered

The completion of the audit and external audit process is a statutory requirement.

Consultation

Not required.

Key implications

Comments of the Chief Finance Officer

The financial implications of the audit for 2019/20 and 2020/21 are set out in the report above. Officers will report back to the Committee in due course, once further steps have been taken to address the proposed fees.

In the meantime, it is positive that the accounts for 2020/21 have been approved with the audit opinion finalised.

Comments of the Head of Legal Services

PSAA is responsible for appointing auditors and setting scales of fees for those authorities that opted into its national scheme and monitor compliance with the

contracts that councils entered into with the appointed audit firm. There is provision for a fee variation whereby additional work can be charged for. However, looking at what other local authorities have had to pay, these appear to average around £50,000. It is unreasonable for a fee variation as set out in this report to be presented without any advance warning or proper explanation throughout the audit process especially at a time where this Council is operating in an increasingly challenging financial environment. The Head of Legal will be taking this forward with the S151 Officer to ensure that a reduction of the proposed fee is obtained.

Equality

There are no Equalities implications directly arising from the statutory audit of the financial statements. However, Officers have regard to the considerations as set out in the Equalities Act 2010 when deciding whether an Equality Impact Assessment will be required following any specific recommendations or future decisions.

Climate change

There are no Climate Change implications directly arising from the statutory audit of the financial statements.

Appendices

Appendix 1 – Deloitte signed audit opinion
Appendix 2 – 2020 and 2021 cost analysis

Background papers

None

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