



Tandridge District Council 2020 and 2021 cost analysis

Issued in April 2023 for the year ended 31 March 2020 and 2021

Summary of overrun costs incurred

The scale fees for the 2019/20 and 2020/21 audits of the Council were £36k per annum. These are the same scale fees as the 2018/19 audit, for which we absorbed a number of areas of increased cost on the basis that a first year audit. The scale fee is based on assumptions about the scope and required time to complete our work, and does not reflect any additional audit issues for the year, or the increasing scope of work required due to new auditing requirements and regulatory requirements. For 2019/20 there was a significant change in scope and additional work required as detailed in our Audit Committee reporting. For 2020/21 there were a number of issues also noted within the final Audit Committee reporting which resulted in additional hours being incurred.

The total time incurred for the 2019/20 audit was c4,600 hours, compared to planned time allowed for in the scale fee of c700h, for 2020/21 the audit hours incurred was c5,800 hours. The additional fee we are requesting in relation to this work is £136k for 2019/20 and £209k for 2020/21. For 2019/20 this, represents 2,740 hours at scale fee rates, with 1,160 additional hours absorbed reflecting a recognition of inefficiencies arising on our part and sharing some of the impact of Covid upon the audit process. For 2020/21 this increased fee represents 3,038 hours with 2,111 hours being absorbed by Deloitte as a sharing of the impact of remote working as a result of Covid .

2020 Overrun categories	Partner/ director	Senior manager/ manager	Senior auditor	Other staff	Total	Fee
Group	5	32	32	24	93	5,364
Pension	4	20	30		54	3,398
PPE valuation	8	59	70	35	172	9,913
Technical accounting issues	8	65	90	100	263	13,631
Quality or preparation issue	8	116	640	665	1,429	63,544
VFM	12	60	40		112	7,844
Covid-19 impact on completion		35	80	80	195	9,195
Covid-19 time impact	4	50	16		70	4,930
PPE valuation use of an expert	12	36	20		68	5,152
<i>Other:</i>						
Impact of Internal Audit findings on scope of work	4	40	120	120	284	13,408
	65	513	1,138	1,024	2,740	136,379

Summary of overrun costs incurred

The increase in the fee between 2019/20 and 2010/21 is mainly as a result of an increase in the PSAA rate card by 25% between these years, in addition there has been a significant change in the scope and reporting requirements in relation to VFM.

2021 Overrun categories	Partner/ director	Senior manager/ manager	Senior auditor	Other staff	Total	Fee
Group	5	32	32	24	93	6,705
Pension	8	50	40	-	98	8,230
PPE valuation	24	80	120	-	224	18,320
Technical accounting issues	8	40	-	-	48	4,960
Quality or preparation issue	-	120	700	700	1,520	83,720
New System Implementation	24	120	-	-	144	14,880
VFM – preparation of the Annual Audit Report	24	80	80	-	184	15,960
VFM – Significant weaknesses	16	80	-	-	96	9,920
Covid-19 impact on completion	4	35	80	80	199	12,165
Covid-19 time impact	16	50	80	40	186	13,710
Ppe Valuation us of an expert	16	40	-	-	56	6,280
ISA540	8	16	40	-	64	5,136
<i>Other:</i>						
Impact of Internal Audit findings on scope of work	4	40	80	-	124	9,202
	157	783	1,252	844	3,036	209,006

2020 Cost analysis by category

Cost analysis by category

Group						Pension					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
5	32	32	24	93	5,364	4	20	30		54	3,398
<p>Notes:</p> <ul style="list-style-type: none"> The council is required to prepare group accounts to consolidate its subsidiary Gryllus Property Limited which hold material property assets as at year end, requiring audit of group accounting and disclosures. 						<p>Notes:</p> <ul style="list-style-type: none"> Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions. 					

Cost analysis by category

PPE Valuation						Technical accounting issues					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
8	59	70	35	172	9,913	8	65	90	100	263	13,631
<p>Notes:</p> <ul style="list-style-type: none"> Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions. Additional work was required over further valuation to cover two new assets purchased in the year which had been excluded from the original valuation. Undertaking this process required us to complete an additional review with the support of our specialist valuation team and resulted in an adjustment to the financial statements being made. As a result of the Covid-19 pandemic, an emphasis of matter was reporting in our audit opinion requiring additional quality review procedures to be followed. 						<p>Notes:</p> <ul style="list-style-type: none"> An error was identified in historic cost depreciation which required significant additional work in testing to obtain assurance over the resolution of the issue. An error was identified in the bank reconciliation as a result of the control not operating in the way management expected. This required extensive investigation by the council and additional audit work by Deloitte. There were significant delays in identifying the underlying cause of the issue and taking action to rectify it. 					

Cost analysis by category

Quality or preparation issue						VFM					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
8	116	640	665	1,429	63,544	12	60	40		112	7,884

<p>Notes:</p> <ul style="list-style-type: none"> The supporting schedules provided for audit did not include all of the analysis necessary for reconciliation between schedules tested and the financial statements, with inconsistencies between information provided in differing areas introducing issues in determining total coverage and reconciliation of the accounts. This meant that it was not possible to reconcile between the audit testing and the financial statements. When issues on tie in were identified, and challenges raised, it took a further 5 months for the full mapping document to be shared with us or identified as the reasons for the issues arising. (The schedule had not been provided as the relevant contact had considered the spreadsheet too large to share, and had not identified the need for relevant analysis to support the data). Once we obtained the correct mapping document, extensive work was required to audit this in order to gain assurance that we could map the detailed testing to the financial statements. Due to other pressures upon the council at the time, there were limitations on capacity to provide support to the audit and relevant information/ resolve queries, significantly impacting the time taken on areas of the audit. The quality of some audit evidence and explanations received were not adequate for example, we received at least four different explanations for the movement in an accruals balance over a period of more than a year before reaching a satisfactory conclusion. 						<p>Notes:</p> <ul style="list-style-type: none"> A number of whistleblowing reports were made in the year, and required additional work to consider and conclude upon. Widespread concerns were identified around the governance arrangements in place at the council, and over budgeting processes, were identified, with third party report commissioned by the council. These matters required significant follow up and resulted in a qualified VfM conclusion. 					
---	--	--	--	--	--	--	--	--	--	--	--

Cost analysis by category

Covid-19 impact on completion						Covid-19 time impact					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
	35	80	80	195	9,195	4	50	16		70	4,930

Notes:

- COVID-19 required us to consider a change in scope of the our audit in a number of ways. It has also required us to alter the way the audit was conducted. Examples are included below:

Update on control environment

- Due to remote working and changes to the control environment and processes, we have to reassess the controls in place and consider changes made in response to COVID-19.

Update on risk assessment and documentation

- As a result of the pandemic, we completed an additional exercise to updating our audit risk assessment and planning working paper, and documenting our consideration of Covid-19 upon each key balance, with additional review procedures.
- We undertook an assessment of the income position to understand if any Covid-19 grant income should be recorded in the 2020 financial statements.

Audit Evidence from auditing remotely

- Due to the impact on Tandridge, there were a number of areas of our audit which were affected due to remote working. Certain areas required additional time to collect appropriate audit evidence due to challenges with council staff working remotely or where different staff member provided information from those that normally liaise with the audit team.

Cost analysis by category

PPE valuation use of an expert

Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
12	36	20		68	5,152

- Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions.

Other – Internal audit (IA) findings impact on risk rating

Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
4	40	120	120	284	13,408

- The council received a number of limited or no assurance reports from their internal auditor which required us to revisit our risk assessment and to increase the assessed level of risk and scope of procedures for certain balances, increasing the number of samples, or add incremental audit procedures to reflect the outcome of our risk assessment.

2021 Cost analysis by category

Cost analysis by category

Group						Pension					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
5	32	32	24	93	6,705	8	50	40		98	8,230

<p>Notes:</p> <ul style="list-style-type: none"> The council is required to prepare group accounts to consolidate its subsidiary Gryllus Property Limited which hold material property assets as at year end, requiring audit of group accounting and disclosures. 	<p>Notes:</p> <ul style="list-style-type: none"> Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions. In addition in 2020/21 the council identified issues in locating the information provided to the actuaries which increased the resources required to complete the audit testing in this area.
---	--

Cost analysis by category

PPE Valuation						New system implementation					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
24	80	120	-	224	18,320	24	120	-	-	144	14,880
<p>Notes:</p> <ul style="list-style-type: none"> Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions. As a result of the Covid-19 pandemic, an emphasis of matter was reporting in our audit opinion requiring additional quality review procedures to be followed. The responses from the valuer in relation to the property specialists queries were poor which resulted in more resource being needed to complete the testing in relation to property valuations. 						<p>Notes:</p> <ul style="list-style-type: none"> Post 2019/20 there was a change to the software used in relation to the Collection Fund. This resulted in breakdowns relating to balances within the Collection Fund not being available. As a result of this there were a significant number of discussion held in relation to this issue along with a change in the audit approach which resulted in additional resource being required to audit this area. 					

Cost analysis by category

Quality or preparation issue						VFM- Scope Change					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
-	120	700	700	1,520	83,720	24	80	80		184	15,960
<p>Notes:</p> <ul style="list-style-type: none"> The supporting schedules provided for audit did not include all of the analysis necessary for reconciliation between schedules tested and the financial statements, with inconsistencies between information provided in differing areas introducing issues in determining total coverage and reconciliation of the accounts. This meant that it was not possible to reconcile between the audit testing and the financial statements. These issues were more limited in FY21 and were identified sooner following the experience gained in FY20. Due to other pressures upon the council at the time due to capacity and the change in the finance team due to redundancies there were limitations on capacity to provide support to the audit and relevant information/ resolve queries, significantly impacting the time taken on areas of the audit. For example: <ul style="list-style-type: none"> Our comments on the accounts went unaddressed for over a year and then took countless more iterations to fully resolve. We did not receive any response to our request for information to support our work on value for money for ~ 17 months and when we did receive a reply, much of the supporting evidence related to the incorrect financial period. It took a number of additional months for the supporting evidence for the correct period to be provided. 						<p>Notes:</p> <ul style="list-style-type: none"> During the year there was a change in the scope of work required in relation to VFM which increased the reporting with the inclusion of an Annual Audit Report which increased the level of resource required in this area. The audit fee included above is inline with the fee changed to other Councils as a result of this scope change. 					

Cost analysis by category

VFM – Significant weaknesses

Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
-16	80	-	-	96	9,920

- In September 2021 it was identified that there was a £920k gap in the budget that was approved for 2020/21 which resulted in a detailed review being undertaken by the Council. This resulted in a significant risk being identified in relation to VFM where the conclusion was that a significant weakness was identified.
- Due to historic issues in relation to financial sustainability a significant risk to VFM was also identified. This resulted in a detailed review being completed in relation to the budgets and outturn position being reviewed for 2021/22 and 2023/23 along with a detailed review of the approved budget for 2023/24 and the savings plan that has been identified.
- In the prior year there was a detailed governance review issued which highlighted significant issues in relation to the governance arrangements at the Council which also required detailed review in relation to the progress made in relation to implementing the actions following this report.
- The internal audit opinion for 2020/21 was limited assurance overall, this has therefore highlighted a significant risk in relation to VFM which has been considered in detail as part of the VFM work.

Cost analysis by category

Covid-19 impact on completion						Covid-19 time impact					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
4	35	80	80	199	9,920	16	50	80	40	186	13,170

COVID-19 required us to consider a change in scope of the our audit in a number of ways. It has also required us to alter the way the audit was conducted. Examples are included below:

Update on control environment

- Due to remote working and changes to the control environment and processes, we have to reassess the controls in place and consider changes made in response to COVID-19.

Update on risk assessment and documentation

- As a result of the pandemic, we completed an additional exercise to updating our audit risk assessment and planning working paper, and documenting our consideration of Covid-19 upon each key balance, with additional review procedures.
- We undertook an assessment of the income position to understand if any Covid-19 grant income should be recorded in the 2020 financial statements.

Audit Evidence from auditing remotely

- Due to the impact on Tandridge, there were a number of areas of our audit which were affected due to remote working. Certain areas required additional time to collect appropriate audit evidence due to challenges with council staff working remotely or where different staff member provided information from those that normally liaise with the audit team.

COVID 19 grants

- As significant audit risk was identified in 2020/21 in relation to COVID 19 grants which changed the scope of the audit.

Cost analysis by category

PPE valuation use of an expert						Other – Internal audit (IA) findings impact on risk rating					
Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee	Partner/ Director	Senior manager/ Manager	Senior auditor	Other	Total	Fee
16	40	-	-	56	6,280	4	40	80	-	124	9,020
<ul style="list-style-type: none"> Increased FRC challenge has led to more detailed work and additional reviews and procedures, including increased involvement of specialists, consideration of their work and documentation and review of conclusions. 						<ul style="list-style-type: none"> The council received a number of limited or no assurance reports from their internal auditor which required us to revisit our risk assessment and to increase the assessed level of risk and scope of procedures for certain balances, increasing the number of samples, or add incremental audit procedures to reflect the outcome of our risk assessment. 					