

# External Audit Plan - 2021/22

## Audit & Scrutiny Committee Tuesday, 27th June 2023

Report of: Chief Finance Officer (Section 151)

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Purpose: Information

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Publication status: Unrestricted

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Wards affected: All wards

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### Executive summary:

This report accompanies the External Auditor (Deloitte)'s final plan for auditing the Council's Statement of Accounts 2021/22.

The approach is set out in Appendix A and shows the principal matters that the audit will focus on.

The plan has been finalised following the completion and signing of the 2020/21 audit. Detailed planning work is under way with Officers.

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

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### Recommendation to Committee:

That Committee approves the final 2021/22 audit plan.

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### Reason for recommendation:

External auditors are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. Audit and Scrutiny Committee is responsible for approving that plan under its remit to "resolve issues arising out of the financial audit of the accounts."

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## **Overview**

1. On 27<sup>th</sup> September 2022, the Council's External Auditors, Deloitte, set out an indicative audit plan for 2021/22. Following the conclusion of the 2020/21 audit, they have now set out the final audit plan as required by the International Standard on Auditing 26. This provides an opportunity for the External Auditor to communicate its plan for auditing the Council's 2021/22 Statement of Accounts to Members.
2. The Audit Plan enables Deloitte to:
  - Explain the audit process.
  - Set out the scope, key responsibilities and approach.
  - Highlight any changes to the requirements of the auditor.
  - Describe significant audit risks and risk assessment process.
  - Outline the approach to materiality.
  - Advise of the fee for the 2021/22 audit and the independence of the auditor.
  - Outline the process for reporting back to the Council on their work.
  - Set out responsibilities in relation to fraud.
  - Explain the approach to quality control.
3. The contents of the Audit Plan have been discussed with management.

## **Key Issues**

4. Pages 4 to 6 set out significant audit risks to be addressed:
  - Capital Expenditure
  - Property Valuations
  - Management Override of Controls
  - Pension Valuations
5. These are standard risks across local authority audits and do not indicate that the auditor has concerns to this Council. Further detail is set out in the Appendix.

## **Value for Money**

6. The approach to the Value for Money review changed for all Local Authorities for 2020/21 and subsequent audits. The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). Further details are provided on Page 7 of the Appendix.

## **Audit Fees**

7. The standard audit fee for 2021/22 is £36k. Page 9 of the Appendix sets out issues relating to the perceived inadequacy of the fee, along with an expectation that fees will increase. During 2021/22, Government provided the Council £18k of additional funding to meet the increased cost of external audit. Some increase in scale fee is therefore to be expected, but officers will review closely before bringing a position to the Committee for approval. The report notes that the audit fees for 2019/20 and 2020/21 are still open. Given that the fees proposed for 2019/20 and 2020/21 significantly exceed the scale fee, it is management's expectation that Deloitte will discuss any variation to the 2021/22 fee with management at the earliest possible opportunity and that where Deloitte know there to be an additional requirement in advance, this be agreed with management before the associated work commences.
8. As set out in the earlier item on this Committee's agenda, 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.*

## **Other options considered**

The completion of the audit is a statutory requirement.

## **Consultation**

Not required.

## **Key implications**

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

The financial implications of the report are set out above. The external auditor has pointed out that it is likely that fee variations will be required. The Chief Finance Officer will advise Deloitte that, in accordance with PSAA requirements, the fee implications should be discussed with management at the earliest opportunity.

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

In relation to the Council's Constitution and the specific role and responsibilities of this Committee, the Constitution provides that the overall purpose of the Committee is *'to be responsible for the review and scrutiny of the decisions and*

*performance of the Council, audit arrangements and providing opportunities for other organisations to present / explain key aspects of their local services'. In particular, the Committee is responsible for overseeing both internal and external audit helping to ensure that efficient and effective assurance arrangements are in place.*

To discharge its functions effectively, the Committee is required to operate within their agreed Terms of Reference. The external auditor's Plan is designed to ensure that.

### **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 Final Audit Plan 2021/22

### **Background papers**

None

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