

Subject:	External Audit Progress Report and Audit Plan 2019/20		
Date of Meeting:	10 March 2020		
Report of:	External Audit Director		
Contact:	Name:	Darren Wells (Grant Thornton)	Tel: 01293 554120
	Email:	Darren.J.Wells@uk.gt.com	
Ward(s) affected:	(All Wards);		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the External Auditors were awaiting final instructions in order to finalise the External Audit Plan for 2019/20.

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The External Audit Plan 2019/20 sets out how the council's appointed auditor, Grant Thornton, intends to carry out their responsibilities as external auditor for the financial year ending 31 March 2020. The plan covers:

- Identified risks and issues that are expected to impact on the audit;
- Consideration of materiality;
- Arrangements for reviewing Value for Money;
- The anticipated audit fees;
- Assurance regarding the auditor's independence.

1.2 The work plan is designed to provide the council with:

- An audit opinion on whether the council's financial statements give a true and fair view of the financial position as at 31 March 2020 and the income and expenditure account for the year then ended; and
- A statutory conclusion on the council's arrangements to secure economy, efficiency and effectiveness in the use of its resources.

2.1 The proposed audit fee for the 2019/20 audit is £146,584 which includes the scale fee notified by the appointing body, Public Sector Auditor Appointments Ltd (PSAA), of £122,084 together with additional fee proposals to cover additional scrutiny and responsibilities as follows:

- **Raising the bar: £8,000**

The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits as outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile

of local audit. This will entail increased scoping of the audit and increased sampling of scoped areas.

- **Pensions valuation of net pension liabilities under International Auditing Standard (IAS) 19: £4,000**

Pensions is a key area of focus for the FRC, and we have therefore increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.

- **PPE Valuation work of experts: £10,000**

PPE valuation is a key area of focus for the FRC, and we have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We are also engaging our own audit expert valuer Carter Jonas for major audits to add qualified valuer expert insight and challenge into the valuation process, methods and assumptions used. This fee increase includes an estimate for the fee payable to the auditor's expert. We estimate that the cost of the auditor's expert will be in the region of £5,000.

- **New standards/developments: £2,500**

We are required to respond within our audit to new accounting standards and we must ensure our audit work in new areas is robust and we advise you appropriately. This year we will both be responding to the introduction of IFRS 16 relating to leases and leased assets.

- 1.3 In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the 5 year contract via a formal rebasing of local authorities' scale fees to reflect the increased level of audit work required to enable us to discharge our responsibilities. All external audit fees are subject to moderation by the PSAA.
- 1.4 The report summarises the scope of the audit and the planned approach to reviewing assessed risks.
- 1.5 The report also includes our standard progress report and sector update for the committee's information.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Considers and notifies the external auditor as to whether or not there are any other matters which it considers may impact on the planned audit.
- 2.2 Notes the External Audit Plan 2019/20.
- 2.3 Note the Progress Report and Sector Update.

3. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 3.1 The planned audit fee for the 2019/20 audit is £146,584 which includes the scale fee notified by the appointing body, Public Sector Auditor Appointments Ltd (PSAA), of £122,084 together with additional fees of £24,500 as set out in the report. The budget includes contingency provision for additional testing and scrutiny together with provision for separate audits including Teachers' Pensions and Housing Benefit Subsidy Claims. It is anticipated that the additional fee can be managed within the overall budget including contingency, however, this is may be dependent on the price negotiated for separate audits.

Finance Officer Consulted: Nigel Manvell

Date: 03/03/20

Legal Implications:

- 3.2 The Accounts and Audit Regulations 2015, made under the Local Audit and Accountability Act 2014, provide a process whereby the council's statement of accounts in each year must be approved by Members. The council's Constitution delegates responsibility for that function to the Audit & Standards Committee.
- 3.3 The council's appointed external auditors (Grant Thornton) are required to give assurance that the council's accounts are free from material misstatement and to report significant matters arising from the audit. The auditor will present their findings to this Committee through an Audit Results Report (ARR) in accordance with the statutory timetable.

Lawyer Consulted:

Victoria Simpson

Date: 03/03/20

Equalities Implications:

- 3.4 There are no equalities implications arising directly from this report. Information on the audit of the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 3.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability. The External Audit Plan provides the framework within which independent assurance and opinion is given on the council's financial statements.

SUPPORTING DOCUMENTATION:

Appendices:

1. External Audit Plan 2019/20 (Grant Thornton)
2. External Audit Progress Report and Sector Update

Background Documents:

None

