

Report of the Treasurer

External Audit Plan (2020/21 Accounts)

Purpose of Report

1. To consider the Audit Plan from the Authority's External Auditor, Grant Thornton UK LLP, which sets out the work to be undertaken in 2021/22 in respect of the 2020/21 Audit.
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Recommendation

The Treasurer recommends that the External Audit Plan 2021/22 (2020/21 Accounts be noted.

Introduction & Background

2. The External Auditor is required to inform the Authority of the work that will be undertaken during an annual audit and that this is submitted in the form of an Audit Plan.
3. The Audit Plan is based on the Grant Thornton's risk-based approach to audit planning.
4. Grant Thornton comply with the statutory requirements that govern their work in particular:
 - The National Audit Office Code of Audit Practice
 - International Standards on Auditing (ISA) (UK)
 - Financial Reporting Council (FRC)

Key Milestones and Deadlines

5. The Authority is required to prepare the accounting statements by 31 May 2021, however, late information from Billing Authorities may put this date at risk.
6. The Authority is required to publish the accounts along with the Auditor's Opinion, by 30 September 2021.
7. The proposed timetable and planned outputs are included within the report which will be presented by Grant Thornton.
8. The report also outlines the new approach to Value for Money (VFM) arising from a new National Audit Office Code of Practice.

9. The plans of the Authority and External Auditor set out take account of the current expectations in relation to Covid-19 restrictions and may need to be amended should these change significantly.

Audit Fee

10. The plan proposes an increase in Audit fee, which is yet to be ratified by Public Sector Audit Appointments (PSAA) (the collective body established by the majority local authorities to manage the selection and appointment of external auditors) and reflects national pressures on auditors and not any Hereford & Worcester specific risks.
11. The key elements of the rise are detailed as:
 - “Raising the Bar” and is by direction from the FRC following criticism of audit in the case of large scale private sector company failures – again emphasising that this was a criticism of the audit sector and not specifically of Grant Thornton.
 - Additional work on Pensions Liabilities and Property Plant & Equipment (Fixed Assets) and again another filter through from private sector requirements applied to the public sector. Whilst these are big numbers in the Balance Sheet, the funding arrangements for the former and reasons for holding the latter, their practical significance in local authority accounts is substantially different to the private sector.
 - Additional work on VFM required by the new National Audit Office Code of Practice – specifically public sector related, but again not specifically Hereford & Worcester.
 - Additional audit requirements arising from amended ISAs.
12. Whilst it is very disappointing to see a 58% increase against the basic fee in only the third year of the contract, it is consistent across the whole local authority sector, and was probably inevitable, given the state of the external audit market at present. Additionally government have provided specific grant funding towards these costs, although the distribution of this sum between authorities is still awaited.

Conclusion

13. The Audit Plan sets out the work that will be undertaken during the audit of the 2018/19 Accounts. The Plan is based on Grant Thornton’s risk based approach to audit planning. However, the audit does not relieve the management or the Audit and Standards Committee, as those charged with governance of their responsibilities.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	None
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 – External Audit Plan