

Somerset West and Taunton Council

Audit, Governance and Standards Committee – 12 April 2021

External Audit – Audit Plan 2020/21

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: Martin Henwood, Corporate Finance Advisor

1 Executive Summary

- 1.1 This report introduces the External Audit Plan for 2020/21. This is prepared by our external auditors, Grant Thornton, and is detailed in the appendix to this report.
- 1.2 The report summarises their approach to the 2020/21 audit programme, together with the audit view on risk and materiality, plus an extended view on value for money reflecting the new requirements placed on them.

2 Recommendations

- 2.1 Members are requested to consider and note the External Audit Plan for 2020/21 received from Grant Thornton.

3 Background and key detail of the Report

- 3.1 Each year our external auditors, Grant Thornton, provide a plan which details their approach to the audit work required in respect of the preceding financial year (2020/21). Specifically this audit work focuses on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.
- 3.2 The plan for 2020/21 is set out in Appendix A.
- 3.3 The externally required changes on 'Accounting Estimates and related disclosures' (pages 7, 8 and 9) due to the updated ISA 540 are likely to have the most significant impact on the preparation and audit of the accounts. These changes relate to whether the entries in the accounts are reliable i.e. robust and resilient.
- 3.4 The nature and extent of evidence required for audit under ISA540 is a quantum leap from that required in previous years. It will be difficult to provide this for 2020/21 given these requirements are not necessarily formally reflected in our current systems. There has been minor recognition of this as an issue nationally in the usual preparation/training seminars, so SWT will not be alone when these problems arise. This is a potentially significant risk for the timely delivery of the 2020/21 accounts.

4 Links to Corporate Aims / Priorities

- 4.1 This report links to the Council's aim of achieving financial stability.

5 Finance / Resource Implications

- 5.1 The report sets out the external auditors' view on key risk areas for the Council and their approach to auditing them.
- 5.2 Included within the plan is an indication of the audit fees proposed to be charged by Grant Thornton for the main audit. As shown on page 15 of their report the proposed fee is £68,500, some 46% higher than the £47,000 scale fee set through the 5-year contract procured via Public Sector Auditor Appointments (PSAA), covering accounts for the years 2018/19 to 2022/23. It should be noted this does not include any allowance for the impact of COVID on delivery of the audit or scope of work this year, creating a risk of a further increase in fees proposed by Grant Thornton. In addition, any failure to provide a full set of working papers to a standard acceptable to the auditor, and/or any delay in response to queries by officers or partners could further result in additional fees being requested.
- 5.3 Officers will need to prioritise activity related to the audit on a timely basis to ensure the audit can be completed on time and minimise the risk of additional fees. The scope of audit testing proposed in order to meet regulation and audit standards will inevitably cost the Council more in officer time, although it is difficult to quantify this at this stage. This will however detract resources from other discretionary priorities as officers prepare for and support the delivery of the audit this year.

6 Legal Implications

- 6.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities.

Democratic Path:

- Audit Governance and Standards Committee – 12 April 2021

Reporting Frequency: Annually

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