

Somerset West and Taunton Council

Audit and Governance Committee – 13 June 2022

External Audit – Audit Plan 2021/22

This matter is the responsibility of Executive Councillor Allen, Communications and Corporate Resources

Report Author: John Dyson, Corporate Finance Manager

1 Executive Summary

- 1.1 This report introduces the finalised External Audit Plan for 2021/22. The Plan is prepared by the Council's external auditors, Grant Thornton, ahead of the financial year-end (31 March), and is attached as Appendix A to this report.
- 1.2 The Plan summarises the approach and programme of audit work for reviewing the financial year 2021/22. Culminating in a series of independent reports to Members of the Council, this work will assess risks, the annual Statement of Accounts, the methodologies and systems adopted in preparing the Accounts, and the Council's arrangements for securing value for money.
- 1.3 A verbal report on the Plan will be provided by the Key Audit Partner. This follows a preliminary report made to this Committee in March 2022.

2 Recommendations

- 2.1 Members are requested to consider and note the SWTC External Audit Plan for the financial year ending 31 March 2022 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. The Plan is usually presented earlier in the year and ahead of audit work commencing. However, this year, presentation of the Plan by the auditors has been unavoidably delayed. The delay is the result of a consultation exercise required across a combination of accounting standards forums, the Chartered Institute of Public Finance and Accountancy (CIPFA), accounting practitioners and audit firms in relation to the timing and inclusion of new accounting standards in local authorities' accounts. The timing of this process was beyond the auditors' control and, whilst a verbal indication of the planned audit was provided to Members of the Audit and Governance Committee on 14 March 2022, the programme of work by external auditors has already commenced.
- 3.2 The Plan for 2021/22 is attached to this report as Appendix A. The main attention of the external auditors will be focussed on:
 - the provision of an audit opinion in relation to the Statement of Accounts for 2021/22,

- the Council's arrangements for securing value for money (VFM) and
 - identifying key risks faced by the Council.
- 3.3 Ahead of their work having commenced, the Auditors have assessed risks that they judge are faced by the Council and these are set out in their report, attached.
- 3.4 Being integral to the preparation of the Statement of Accounts, the Plan includes coverage of the Auditor's assessment of management's processes and controls regarding accounting estimates contained within the financial accounts. The high level of complexity and the short timescales for preparing a local council's accounts requires a reasonable level of estimation within the financial reporting, so the Auditors closely consider estimation processes for appropriateness.
- 3.5 Other aspects covered by the Plan include reporting arrangements (including levels of reporting materiality), additional work aspects and Grant Thornton's indicative audit fee for undertaking their work.

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 Audit Plan sets out the external auditor's view on key risk areas for the Council and their approach to auditing those risks.
- 5.2 Included within the Audit Plan document is an indication of Grant Thornton's proposed audit fees for the main audit. As shown on page 18 of their report the proposed fee is £73,600 (indicative fee for 2020/21 was £68,500). This is nearly 57% higher than the £47,000 scale fee set through the 5-year contract procured via Public Sector Auditor Appointments (PSAA), which covers the years from 2018/19 to 2022/23. An increasing level of fees is to be expected given the annually increasing obligations being placed on the auditors to scrutinise the Council's financial and governance activities and technical accounting practices. For example, additional audit procedures and resources are required for the review of Infrastructure Assets and the valuation of Investment Properties. It should also be noted that a proposed additional fee (estimated at £5,000) becomes due for any remote working arrangements stemming from COVID precautions.
- 5.3 Officers implemented a detailed Closedown Plan for the Council's own work for the Statement of Accounts in February. Across the entire Council, both Officers and, to some extent, Members are required to prioritise activities related to the Closedown Plan and the audit, completing stages on a timely basis. This will ensure that the audit may be completed on time, will minimise the risk of additional fees and/ or collision with other Council work plans and new work streams towards developing the new unitary council. Meanwhile, the growing trend of increasing the scope of audit testing will inevitably cost the Council more in officer time and focus both in the Finance Service and across other departments of the Council. The dynamic nature of the annual audit process means that it is not possible to quantify the impact at this stage. This may, 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 and Governance Committee – 14 March 2022
- Follow-up report (this report) to Audit and Governance Committee – 13 June 2022

Reporting Frequency: Annually

List of Appendices

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| Appendix A | External Audit Plan for 2021/22 |
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