

Report to: Audit Committee

Date of meeting: 26 March 2021

By: Chief Finance Officer

Title: External Audit Plan 2020/21

Purpose: To inform the Committee of the content of the Council's External Audit Plan for 2020/21

RECOMMENDATION:

The Committee is recommended to consider and comment on the External Audit Plan for 2020/21

1. Background

1.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's accounts and identifies any significant risks. Grant Thornton (GT), as the Council's external auditors, must form and express an opinion on the financial statements for the Council. The plan also outlines the work that GT will undertake as part of the assessment of whether the Council has proper arrangements in place to secure Value for Money (VfM).

2. 2020/21 Financial Statements

2.1 The External Audit Plan for 2020/21 (Appendix 1) identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:

- ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
- Fraudulent expenditure recognition (this presumed risk has been rebutted);
- Management override of controls (journals, estimates and transactions);
- Valuation of land and buildings;
- Valuation of Pension Fund net liability;
- Accuracy and accounting for Public Finance Initiative (PFI) liabilities.

2.2 The new Code of Audit Practice provides a revised approach to the audit of VfM. There are 3 main changes to previous practice:

- A new set of key criteria covering financial sustainability, governance and efficiency & effectiveness;
- More extensive reporting, with GT required to provide a commentary on arrangements across all the key criteria rather than, as currently, reporting by exception;
- Replacement of the binary qualified/unqualified approach to VfM conclusions, with a judgement on performance, as well as, key recommendations on any significant weaknesses identified during the audit.

- 2.3 No significant VfM weaknesses have been identified during GT's initial planning work. However, GT have set out 3 areas of additional focus:
- Arrangements for securing financial sustainability, including short term budgeting and medium term financial planning;
 - Arrangements for improving economy, efficiency and effectiveness through benchmarking against similar organisations, learning from others and through continued development and modernisation of services;
 - Developments and changes in the Orbis shared service arrangements.
- 2.4 The deadlines for the production and audit of the accounts for 2020/21 and 2021/22 have recently been confirmed. The unaudited draft financial statements have to be prepared and published on the authority's website by 31 July. The audit will be conducted during July through September. For 2021/22, the audited statements will be approved by Governance Committee on 30 September 2021. There is pressure on GT to deliver to these deadlines and given the slippage experienced in the 2019/20 audit and pressures on their resources, there is a risk that these key dates will be missed.
- 2.5 The planned audit fees for 2020/21 are yet to be confirmed by the Public Sector Audit Appointments (PSAA) but are likely to show an increase on the fees for 2019/20 of £92,403.

3. Conclusion and Recommendation

- 3.1 The External Audit Plan is presented to the Committee for discussion and comment. The Plan will be reported to Cabinet for approval on 20 April 2021.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
Tel. No: 01273 481399
Email: ian.gutsell@eastsussex.gov.uk

Local Member(s): All
Background Documents
None