

Report to: Cabinet

Date of meeting: 19 April 2022

By: Chief Operating Officer

Title: External Audit Plan 2021/22

Purpose: To inform the Cabinet of the content of the Council's External Audit Plan for 2021/22

RECOMMENDATION:

The Cabinet is recommended to approve the External Audit Plan for 2021/22

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. 2021/22 Financial Statements

2.1 The External Audit Plan for 2021/22 (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 (including investment properties);
- Valuation of Pension Fund net liability;
- Accuracy and accounting for Public Finance Initiative (PFI) liabilities;
- Accounting for grant revenue and expenditure correctly;
- Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged.

2.2 The Code of Audit Practice provides for the separate reporting of the audit of VfM, with key criteria covering financial sustainability, governance and efficiency & effectiveness. No significant VfM weaknesses have been identified during GT's initial planning work.

2.3 The Audit Committee considered the draft plan at its meeting on 29 March 2022, where it also received a presentation from GT. No specific issues are required to be brought to the attention of Cabinet. Since the Audit Committee meeting, GT have updated the audit plan to provide the final version. The only change has been to include a new area of risk regarding the accuracy of infrastructure asset balances. GT are responding to a national issue where some auditors have highlighted that some authorities may not have appropriate systems and

processes in place to identify assets which are being replaced and to write these out of the fixed asset register at an appropriate timing.

- 2.4 One of the measures announced to improve the timeliness of external audits is to extend the deadline for the publication of audited local government accounts for 2021/22 from 30 September 2022 to 30 November 2022. It is proposed then to move back to 30 September for 6 years from 2022/23 onwards. This announcement is on the back of the Public Sector Audit Appointments (PSAA) stating that only 9% of all audits met the 30 September 2021 deadline for the 2020/21 accounts. For East Sussex, the accounts were signed off on 19 October 2021.
- 2.5 For East Sussex, we are working with GT to ensure that the audit is completed as close to the original 30 September 2022 deadline. The MBOS (accounting system replacement) project will require a significant amount of officer involvement as it moves into data migration, User Acceptance Testing and parallel running phases. It would be unwelcomed if the audit was to take valuable resources away from the project.
- 2.6 The planned audit fees for 2021/22 are yet to be confirmed by the Public Sector Audit Appointments (PSAA), the audit plan includes a proposed fee of £121,350, compared to £119,350 in 2020/21.

3. Conclusion and Recommendation

- 3.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's 2021/22 statement of accounts and identifies any significant risks. The Cabinet is asked to approve the external audit plan for 2021/22.

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Local Member(s): All
Background Documents
None