

Report to: **Cabinet**

Date of meeting: **2 June 2020**

By: **Chief Operating Officer**

Title: **External Audit Plan 2019/20**

Purpose: **To inform the Cabinet of the content of the Council's External Audit Plan for 2019/20**

RECOMMENDATION:

Cabinet is recommended to approve the External Audit Plan for 2019/20.

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 Council's financial statements.

2. Supporting Information

2019/20 Financial Statements

- 2.1 The draft External Audit Plan for 2019/20 (Appendix 1) identifies six significant risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
- Revenue recognition of fees, charges and other service income (accounting policies and systems);
 - Management override of controls (journals, estimates and transactions);
 - Valuation of land and buildings;
 - Accuracy and accounting for Public Finance Initiative (PFI) liabilities;
 - Valuation of the Pension Fund net liability;
 - Covid-19
- 2.2 The Value For Money (VFM) significant risk identified will only focus on financial sustainability; there have been wider areas of scrutiny in previous years but not for 2019/20.
- 2.3 As a consequence of COVID-19, the timescales for the production of the accounts has moved back such that the unaudited draft financial statements will be produced by the first part of June 2020 (in previous years the deadline was 31 May). The audit will be conducted from 22 June 2020. The statement of accounts will be presented to the Audit Committee on 18 September 2020 and Governance Committee on 2 October 2020. This is well within the national deadline for the sign off of accounts, which has been moved to 30 November 2020.
- 2.4 The proposed audit fee for 2019/20 is £80,350, which is a significant increase from the 2018/19 original fee of £64,350. During the 2018/19 audit, at a national level, there

developed a requirement for increased assurance from external auditors in areas where valuations and estimates are used. This had an impact on GT's assurance work around Property, Plant and Equipment; plus, the McCloud pensions judgement triggered additional valuation work on the Council's Pension Liability. GT levied additional fees for 2018/19 of £16,000, which were challenged with the Public Sector Audit Appointments (PSAA), who reduced them to £11,000. The total fees for 2018/19 were £75,350.

- 2.5 The External Audit Plan on page 14 sets out the rationale for the proposed increase in fees. These will be assessed by the PSAA for reasonableness.

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 2019/20 accounts and identifies any significant risks. The Plan was considered by the Audit Committee at a briefing on 13 May 2020.

KEVIN FOSTER
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Local Member(s): All
Background Documents
None