

AUDIT COMMITTEE

19 NOVEMBER 2020

EXTERNAL AUDIT PLAN 2019/20

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Summary

This report presents the External Audit Plan of the Council's Auditors, Grant Thornton, for the audit of the Council's Statement of Accounts for the financial year 2019/20 (Appendix 1) and Update to the External Audit Plan (Appendix 2).

1. Budget and policy framework

- 1.1. International Standards on Auditing require the audit plan to be communicated to 'those charged with governance'. The terms of reference of this Committee includes "discussions with the external auditor on new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work".

2. Background

- 2.1 In accordance with the International Standards on Auditing it is necessary to communicate the annual audit plan for 2019/20. The purpose of the audit plan is to provide an overview of the planned scope and timings of the statutory audit of Medway Council for those charged with governance.
- 2.2 The overall scope of the work to be carried out is determined by the Code of Audit Practice and International Standards on Auditing. The Auditors are responsible for forming and expressing an opinion on:
- The Authority's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee, and
 - The Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in its use of resources.

3. External Audit Plan 2019/20

- 3.1 The External Audit Plan for the year ending 31 March 2020 is presented at Appendix 1 of this report. The Audit Plan was originally published for the

meeting of the Committee scheduled for March 2020, but was later cancelled owing to the emerging pandemic at the time and the decision to cancel non-essential committee meetings. The External Audit Plan Update presented at Appendix 2 has not previously been published in an Audit Committee agenda.

- 3.2 Appendix 1, pages 14 to 16 of the Plan detail proposed fees for core audit and those for certification of the Housing Benefit Subsidy, Pooling of Housing Capital Receipts and Teachers Pensions End of Year Certificate. Page 15 of the Plan details planned variations to the original scale fee of £109,687 for 2019/20 of £21,400 based on Grant Thornton’s best estimate at the audit planning stage. The proposed increases, which currently form part of discussions between Grant Thornton and the Chief Finance Officer, are in response to increased requirements on firms to improve the quality of their audit work by the Financial Reporting Council (FRC) and lessons learned from the 2018/19 audit of financial statements across local government as a whole. In agreement with PSAA (where applicable) Grant Thornton will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of the scale fee to reflect the increased level of audit work required to enable them to discharge their responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.
- 3.3 The proposed fees for other services, detailed on page 16 of Appendix 1 remain at the 2018/19 rate previously agreed with the Chief Finance Officer as follows:
- Certification of Housing Benefits subsidy claim - £20,000,
 - Certification of Pooling of Housing Capital Receipts - £3,200, and
 - Agreed upon procedures engagement relating to the Teachers’ Pensions End of Year Certificate - £5,000.
- 3.4 An External Audit Plan Update is presented at Appendix 2 provides the Audit Committee with details of an additional risk which Grant Thornton have identified in relation to the audit; the impact of the global outbreak of Covid-19 on the production and audit of the Statement of Accounts.

4. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Budget pressure	The budget for audit fees has been set at the level of the scale fee proposed by the PSAA; any additional fee charged by Grant Thornton would result in a budget	It will be necessary to work to identify compensating savings within Business Support and Centralised Service budgets. The Finance Division work to ensure that the	E3

Risk	Description	Action to avoid or mitigate risk	Risk rating
	pressure in 2020/21.	statements accurate and supported by high quality working papers to minimise the risk of additional fees being charged.	

5. Financial implications

5.1 The financial implications are set out in paragraphs 3.3 and 3.4 of this report. Any additional costs incurred will be met from existing revenue budgets.

6. Legal implications

6.1 There are no direct legal implications to this report.

7. Recommendations

7.1 The Committee is recommended to note the External Audit Plan for 2019/20, including the variation to the core fees from 2019/20 for the remainder of the contract.

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Appendices

Appendix 1 – External Audit Plan 2019/20
Appendix 2 – External Audit Plan Update 2019/20

Background papers

None