

AUDIT COMMITTEE

28 JULY 2021

EXTERNAL AUDIT PLAN AND AUDIT FEE 2020/21

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Summary

This report presents the plan of Medway Council's External auditors, Grant Thornton, for the audit of the Council's Statement of Accounts for the financial year 2020/21, together with a proposal for an increase in the audit fee charged.

1. Budget and policy framework

1.1. International Standard of Auditing require the audit plan to be communicated to 'those charged with governance'. The Terms of Reference of this Committee include: 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 this report communicates the annual audit plan for 2020/21. 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
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in its use of resources.

2.3. The plan also sets out the external auditors' approach to:

- Significant and other risks identified,
- Accounting estimated and related disclosures,
- Other matters,
- Progress against prior year recommendations,
- Materiality,

- Value for Money arrangements,
 - Audit logistics and team,
 - Audit fees, and
 - Independence & non audit services.
- 2.4. The Audit Plan for the year ending 31 March 2021 is attached as Appendix 1 of this report.
- 2.5. The Audit Scale Fee for both 2019/20 and 2020/21 remain as set via the contract tendering process undertaken by PSAA on behalf of c98% of all local authorities. Page 22 of the Plan details a proposed variation to the original scale fee of £109,687.
- 2.6. For the audit of 2019/20 this proposal is an additional £21,400 to date, with an additional fee proposal anticipated regarding the Covid-19 impact including PPE and pooled budget fee overruns.
- 2.7. For 2020/21 the proposal is a further £80,400, taking the fee to £190,087. This assumes those additional costs at paragraph 2.5 all remain, and also takes account of the following:
- Additional VFM work required under the new Code,
 - Increased audit requirements of the revised International Standards of Auditing,
 - The introduction of group accounts, with Medway Council consolidating its subsidiaries Medway Development Company and Kyndi into its accounts, and
 - The complexity of audit.
- 2.8. Whilst it is acknowledged that the regulatory landscape has changed around local authority audit and other factors have resulted in additional pressure on audit firms, the final audit fee remains to be agreed by the Chief Finance Officer, subject to discussion regarding the actual additional work required and the reasons why. The proposed additional fees are also subject to approval by PSAA in line with the Terms of Appointment.
- 2.9. The proposed fees for other services, detailed on page 16 of the Plan 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 - £5,000,
 - Agreed upon procedures engagement relating to the Teachers' Pensions End of Year Certificate - £5,000.

3. 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 PSAA; any additional fee charged by Grant Thornton would result in a budget pressure.	It will be necessary to work to identify compensating savings within Business Support and Centralised Services budgets. The Finance & Business Improvement Division will work to ensure that the statements are accurate and supported by high quality working papers to minimise the risk of additional fees being charged.	D3

4. Financial implications

- 4.1. The financial implications are set out in paragraphs 2.5 and 2.6 above. The additional costs will be funded from savings made on existing revenue budgets in Business Support and Centralised Services.

5. Legal implications

- 5.1. There are no direct legal implications to this report.

6. Recommendations

- 6.1. The Committee is recommended to note the proposed Audit Plan for 2020/21 including the variation to the core fees from 2019/20 to the remainder of the contract.

Lead officer contact

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Appendices

Appendix 1 – External Audit Plan for the year ended March 2021

Background papers
None