

## **AUDIT COMMITTEE**

**17 MARCH 2022**

### **AUDIT PLAN UPDATE FOR THE YEAR ENDING 31 MARCH 2021**

Report from: Phil Watts, Chief Finance Officer  
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#### **Summary**

This report presents an update to 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, originally presented to this Committee on 28 July 2021, and includes a proposed revision to the fee variance.

#### **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 updated annual audit plan for 2020/21. The purpose of the updated audit plan is to provide an update to communicate the Group materiality and the strategy in relation to Group accounts.

2.2. The proposed fee for the audit is £190,087, which is an increase of £6,746 over that levied for 2019/20. Any fee in addition to the scale fee of £109,687 will need to be agreed by both the Chief Finance Officer and the Public Sector Audit Appointments (PSAA).

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

- Group audit scope and risk assessment
- 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 Updated Audit Plan for the year ending 31 March 2021 is attached as Appendix 1 of this report.
- 2.5. The Audit Scale Fee for 2020/21 remains as set via the contract tendering process undertaken by PSAA on behalf of c98% of all local authorities. Page 27 of the Plan details a proposed variation to the original scale fee of £109,687.
- 2.6. For the audit of 2019/20 an additional fee of £73,654 was agreed by the PSAA on 01 March 2022.
- 2.7. For 2020/21 the proposal is an additional variance of £80,400, taking the fee to £190,087. This assumes non-covid additional costs from 2019/20 all remain, and also takes account of the following:
- Additional VFM work required under the new NAO Code,
  - Increased audit requirements of the revised International Standards of Auditing,
  - The introduction of group 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 28 of the Plan will increase compared with those agreed for 2019/20 with the Chief Finance Officer as follows:
- Certification of Housing Benefits subsidy claim - £29,750 (£20,000 in 2019/20),
  - Certification of Pooling of Housing Capital Receipts - £7,500 (£5,000 in 2019/20),
  - Agreed upon procedures engagement relating to the Teachers' Pensions End of Year Certificate - £6,000 (£5,000 in 2019/20).

### 3. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
<b>Budget Pressure</b>	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 2.8 and 2.10 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 updated Audit Plan for 2020/21 including the variation to the core fees from 2019/20 and those proposed for both the core fees and other audit services for 2020/21.

### Lead officer contact

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### Appendices

Appendix 1 – Medway Council Audit Plan Update – Year ending 31 March 2021

Background papers

None