

## **Audit Committee**

**15 July 2024**

### **Draft Audit Plan for the Year Ending 31 March 2024**

Report from: Phil Watts, Chief Operating Officer, Business Support and Digital

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#### **Summary**

The audit plan provides an opportunity for those charged with governance to review and discuss the auditor's assessment of risks and materiality, including the identification of significant audit areas and potential areas of concern.

#### **1. Recommendations**

1.1. The Committee is recommended to note the Draft Audit Plan for 2023/24.

#### **2. Budget and policy framework**

2.1. 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.

#### **3. Background**

3.1. In accordance with the International Standards on Auditing this report communicates the updated annual audit plan for 2023/24. The purpose of the audit plan is to provide an update to communicate the Group materiality and the strategy in relation to Group accounts.

3.2. The plan presented with this report is currently a draft audit plan. Further work will continue as further information becomes available to agree a final plan between the auditors and officers and any major changes to this draft will be reported to this Committee.

3.3. The proposed fee for the audit, set out by the Public Sector Audit Appointments (PSAA) in November 2023 is £392,092. This is a substantial increase over that levied in prior years mainly as a result of the proposals to address the audit backlog, published by the Department of Levelling Up,

Housing and Communities (DLUHC) in July 2023. The PSAA stated that the 2023/24 Audit Fees were calculated using:

- a) the scale fee for the previous year (2022/23), as the starting point;
- b) adding in fees for any changes in the audit work now needed, replacing the need for fee variations where possible; and
- c) taking the total of the previous scale fee plus the additional work needed (a plus b) and applying the procurement adjustment of 151% for the new contract rates for audit firms.

3.4. The section on fees at page 30 of the audit plan details the contractual stage payments and assumptions used in setting the proposed fees. Page 31 details not only, the PSAA agreed scale fees, but further additions either specifically mentioned, or still to be agreed dependant upon work required during the audit.

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

- Significant and other risks identified,
- Group audit scope and risk assessment,
- Other matters,
- Progress against prior year recommendations,
- Materiality,
- IT Audit Strategy
- Value for Money arrangements,
- Audit logistics and team,
- Audit fees and updating auditing standards,
- IFRS 16 Leases and related disclosures
- Independence & non audit services
- Communication of audit matters with those charged with governance,
- Escalation Policy, and
- Addressing the audit backlog.

3.6. The Updated Audit Plan for the year ending 31 March 2024 is attached as Appendix 1 of this report.

3.7. The fees for other services, detailed on page 34 of the Plan are not yet known and therefore will need to be agreed by the Chief Operating Officer. Fees for previous years are as follows:

- Certificate of Teachers Pension (£10,000 in 2022/23)
- Certification of Housing Benefits Subsidy (Estimate of £56,000 in 2022/23) and,
- Certification of Pooling of Housing Capital Receipts (£10,000 in 2022/23).

#### 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 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 Digital 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	C3

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

#### 5. Financial implications

- 5.1. The financial implications are set out in paragraphs 3.2 to 3.5 above. The revenue budget for 2024/25 includes the core audit fee at the level set by PSAA and includes the fees for other services at the estimates shown in paragraph 3.7 of this report. Should any additional fees be levied for any audit work there would be a pressure on the budget that would need to be met from savings elsewhere in the Council's budget.

#### 6. Legal implications

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

## Lead officer contact

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## Appendices

Appendix 1 – Indicative External Audit Plan – Medway Council

## Background papers

None.