

EXTERNAL AUDIT UPDATE

Head of Service:	Lee Duffy (Chief Finance Officer)
Wards affected:	All
Urgent Decision?	Yes
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – 2019/20 External Audit Plan Appendix 2 – 2018/19 Grant Certification Letter

Summary

This report sets out Grant Thornton's plan for the external audit of the Council's 2019/20 accounts.

Grant Thornton have also provided the Housing Benefit Grant Certification Letter for the year ended 31 March 2019.

Both of these items have to be received by this Committee in accordance with audit regulations.

Recommendation (s)

The Committee is asked to:

- (1) Receive the External Audit Plan (Appendix 1);
- (2) Receive the Grant Certification Letter (Appendix 2)

1 Reason for Recommendations

- 1.1 The recommendations will enable to Council to meet its statutory obligations with regard to external audit.

2 Background

- 2.1 Grant Thornton are the Council's current independent external auditors, appointed through Public Sector Audit Appointments Limited (PSAA).

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- 2.2 The Council's wholly-owned subsidiary, Epsom & Ewell Property Investment Company, has a separate external auditor, Epsom-based firm, Williams & Co.
- 2.3 The Council's 2019/20 Statement of Accounts incorporate disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.4 As part of their Statement of Accounts audit, Grant Thornton will perform sufficient work to gain assurance that the group accounts are materially accurate.

3 Proposals

- 3.1 Grant Thornton have prepared an audit plan for the 2019/20 accounts as shown in Appendix 1. A member of Grant Thornton's staff will dial in to the meeting to answer any questions regarding the plan.
- 3.2 Officers are satisfied that the audit plan addresses the key financial and governance issues.
- 3.3 Grant Thornton have also certified the Council's housing benefit subsidy claim for the year-ended 31 March 2019, with no amendments or qualification to the original claim necessary, as per the attached letter at Appendix 2. The auditors found that the Council had put in place adequate arrangements to compile and complete, accurate and timely claims for audit certification.
- 3.4 The Committee is asked to receive the External Audit Plan (Appendix 1) and the Grant Certification Letter (Appendix 2).

4 Risk Assessment

Legal or other duties

- 4.1 Impact Assessment
 - 4.1.1 The audit of the Council's financial statements compromise a key element of the Council's governance arrangements.
- 4.2 Crime & Disorder
 - 4.2.1 N/A
- 4.3 Safeguarding
 - 4.3.1 N/A
- 4.4 Dependencies
 - 4.4.1 N/A

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4.5 Other

4.5.1 N/A

5 Financial Implications

- 5.1 Grant Thornton's revised planned fee for the 2019/20 main audit has been proposed at £44,175, as set-out in Appendix 1. This represents a £9,750 increase compared to the original planned fee of £34,425, which had been quoted in Grant Thornton's Annual Audit Letter that was reported to S&R Committee on 26 November 2019.
- 5.2 The proposed increase is principally due to improvements in audit quality now required nationally by the Financial Reporting Council, as explained in full at Appendix 1 (see section 10 of the External Audit Plan). Officers have referred the proposed fee increase to PSAA – the independent body responsible for setting local government audit fees – for its decision.
- 5.3 The 2018/19 housing benefit subsidy certification work has been completed within the agreed £16,000 budget.
- 5.4 The Finance Team have plans in place to ensure that the accounts are closed by the required deadlines and will have regular contact with Grant Thornton during the process.
- 5.5 **Section 151 Officer's comments:** The annual audit plan sets out the key stages for the audit process for the 2019/20 accounts. The Council has a robust plan in place to achieve its financial year end and closing of accounts deadlines.
- 5.6 Should the proposed fee increase be approved by PSAA, the additional budget requirement will have to be identified from within existing resources.

6 Legal Implications

- 6.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. Grant Thornton's work is undertaken in the context of the Statement of Responsibilities of Auditors and Audit Bodies issued by the Comptroller and Auditor General.
- 6.2 The work of external audit is a key part of the controls in place to ensure that the Council is doing the right thing in the right way at the right time.
- 6.3 **Monitoring Officer's comments:** None arising from the contents of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

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Service Plans: The matter is included within the current Service Delivery Plan.

7.2 **Climate & Environmental Impact of recommendations:** None

7.3 **Sustainability Policy & Community Safety Implications:** None

7.4 **Partnerships:** None

8 Background papers

8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- 'External Audit - Annual Audit Letter' report to S&R Committee on 26 November 2019

Other papers:

- 2019/20 Unaudited Statement of Accounts on the Council website.