

EXTERNAL AUDIT UPDATE

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report presents a progress update on the external audit of 2022/23's Statement of Accounts.

Recommendation (s)

The Committee is asked to:

- (1) Note the progress update on the 2022/23 external audit.

1 Reason for Recommendation

- 1.1 The annual audit is an integral part of the controls in place for ensuring that the Council achieves its key Four Year Plan priority of being an Effective Council.
- 1.2 The recommendation updates the Committee on progress on the external audit.

2 Background

- 2.1 Grant Thornton provides the Council's external audit work.
- 2.2 In July 2023, this Committee received a letter from Grant Thornton informing members that, due to capacity issues in the audit sector, the 2022/23 external audit would be delayed from its original summer start date until October 2023.
- 2.3 The Committee subsequently approved the 2022/23 External Audit Plan at its September meeting.

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- 2.4 The following data, collated by sector specialist LG Improve, shows that EEBC remains in a minority of councils (just 134 out of 314) to successfully have 2021/22 final accounts signed off by the external auditor, as at January 2024:

Accounts Status by type of authority

	21/22 Not Published	21/22 Draft	21/22 Final	22/23 Not Published	22/23 Draft	22/23 Final
ILB	2	6	4	2	9	1
OLB	3	10	7	4	15	1
Met	2	18	16	3	31	2
Unitary	7	31	21	15	40	4
County	0	6	17	3	19	1
District	16	79	69	48	109	7
Total	30	150	134	75	223	16

*ILB/OLB = Inner/Outer London Borough.

- 2.5 For 2022/23, the table shows that only 16 councils in the country – a figure that includes just 7 districts – have had 2022/23 accounts signed off by the external auditor. These low numbers demonstrate the scale of challenges faced by local authorities and auditors to resource and progress audits to successful completion in the current environment.

3 EEBC 2022/23 Progress Update

- 3.1 The external audit commenced as planned in October 2023. As had been predicted, it was not possible to avoid this coinciding with other peak workstreams for the finance team, such as in-year 2023/24 budget monitoring and 2024/25 budget setting.
- 3.2 Although formal Quarter 2 budget monitoring reports were deferred to assist with managing these competing pressures, a period of significant staff turnover in the finance team has presented additional challenges since the Autumn. To resolve this, new staff have been recruited and there is now just one vacancy in the team remaining to be filled, with a recruitment campaign underway.
- 3.3 Despite these challenges, officers have continued to move the audit forward. The audit is considered to be progressing well (especially relative to other local authorities), albeit not as quickly as initially hoped due to the aforementioned capacity constraints.
- 3.4 With 2024/25 budget setting work due to complete shortly, officers will be able to resume focus on servicing external audit queries. The latest expectation is that the audit will complete in time to report to Audit & Scrutiny Committee on 26 March 2024.

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4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 None arising from the contents of this report.

4.2 Crime & Disorder

4.2.1 None arising from the contents of this report.

4.3 Safeguarding

4.3.1 None arising from the contents of this report.

4.4 Dependencies

4.4.1 None arising from the contents of this report.

4.5 Other

4.5.1 While the audit remains outstanding, there is a risk that prior year adjustments could arise that impact on the Council's financial position (favourably or unfavourably), although the risk of material adjustments is considered low.

4.5.2 Should the audit not complete as planned before year-end, further deferrals may arise as the finance team has to switch focus to closing 2023/24's accounts. In addition, there is a risk that further deferrals could result in additional audit fees.

4.5.3 The separate Surrey Pension Fund audit remains in progress, and assurance must be received from this audit before Grant Thornton can sign-off the Council's accounts. EEBC has no control over this separate audit, which is managed between Surrey County Council and Grant Thornton. Officers have been informed that the Surrey Pension Fund audit is expected to complete in time for EEBC's accounts to be signed-off in March 2024, however, should this separate audit be delayed, there is a risk that it could impact on completion of EEBC's audit.

5 Financial Implications

5.1 The audit fee for 2022/23 is set-at £67,548, as reported to this Committee in September 2023.

5.2 Any fee adjustments would remain subject to independent review and approval by Public Sector Audit Appointments Ltd (PSAA).

5.3 **Section 151 Officer's comments:** The next scheduled external update report will be provided to this Committee in March 2024.

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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 Council has met its statutory obligations by placing a public notice on its website to explain the reasons for the later-than-planned audit completion.
- 6.3 **Legal 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
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** No specific implications.
- 7.4 **Sustainability Policy & Community Safety Implications:** No specific implications.
- 7.5 **Partnerships:** No specific implications.

8 Background papers

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

Previous reports:

- External Audit Update – Audit & Scrutiny Committee, 24 September 2023.
- External Audit Update – Audit & Scrutiny Committee, 16 November 2023.

Other papers:

- None.