

EXTERNAL AUDIT UPDATE

Head of Service:	Brendan Bradley, Chief Finance Officer
Report Author:	Brendan Bradley
Wards affected:	(All Wards);
Appendices (attached):	1 – External Audit Plan 2023/24 2 – Management Responses to Auditors' Enquiries

Summary

This report presents the External Audit Plan for 2023/24. In accordance with audit regulations, these items must be presented to Committee.

Recommendation (s)

The Committee is asked to:

- (1) Receive the External Audit Plan for 2023/24;
- (2) Consider and approve the management responses to Grant Thornton's enquiries, as set out in Appendix 2.

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 priority of being an Effective Council.
- 1.2 The recommendations will also enable to Council to meet its statutory obligations with regard to external audit.


2 Background

- 2.1 Grant Thornton provides the Council's external audit work. The 2022/23 external audit provided the Council with an unqualified (favourable) opinion on the accounts. Audit and Scrutiny Committee received Grant Thornton's 2022/23 Annual Auditors' Report in March 2024.

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- 2.2 As at May 2024 the following table, published by sector specialist LG Improve on LinkedIn, shows that EEBC remains within a minority of councils (just 89 out of 312, or 29%) to successfully have 2022/23 final accounts signed off by the external auditor:

		Published Accounts Tracker					
	21/22 Not Published	21/22 Draft	21/22 Final	22/23 Not Published	22/23 Draft	22/23 Final	23/24 Draft
ILB	0	2	10	1	4	7	0
OLB	1	10	9	3	15	2	0
Met	1	11	24	3	18	15	0
Unitary	6	20	32	7	37	15	0
County	0	3	20	0	12	9	0
District	11	66	87	32	91	41	0
Total	19	112	182	46	177	89	0
	6%	36%	58%	15%	57%	29%	0%

*ILB/OLB = Inner/Outer London Borough.

- 2.3 Turning to 2023/24, the Council published its unaudited 2023/24 Statement of Accounts on 2 July 2024. Although this was after the target date of 31 May, EEBC remains well ahead of the average district council by having 2022/23's accounts audited.
- 2.4 Furthermore, by 30 June 2024, only 51% of district councils in England had managed to publish unaudited 2023/24 accounts, as shown in the following table:

		2023/24 Published Accounts Tracker		
	Published	Total	Percentage Published	Same point last
ILB	8	12	67%	8 (67%)
OLB	12	20	60%	5 (25%)
Met	25	36	69%	19 (53%)
Unitary	32	62	52%	32 (55%)
County	18	21	86%	16 (67%)
Upper Tier	95	151	63%	80 (53%)
Districts	84	164	51%	71 (43%)
Total England	179	315	57%	151 (48%)

Information as at 30 June 2024.

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3 Proposals

- 3.1 Grant Thornton has prepared an audit plan for the 2023/24 Statement of Accounts as shown in Appendix 1.
- 3.2 The plan outlines the key risks and requirements for 2023/24 and will be presented by a senior officer from Grant Thornton, who will be available at the meeting to answer any questions from Members.
- 3.3 Officers are satisfied that the audit plan addresses the key financial and governance issues.
- 3.4 The Committee is asked to receive the External Audit Plan for 2023/24 (Appendix 1).
- 3.5 Owing principally to the audit backlog in the wider sector (i.e. not at EEBC), Grant Thornton expects to undertake 2023/24's audit between October to December 2024, with the final audit report to be presented to Audit & Scrutiny Committee in February 2025.
- 3.6 Grant Thornton will undertake the external audit in accordance with International Standards on Auditing (ISAs). Under ISA240 guidance, Grant Thornton submitted a number of audit queries to management, to inform its risk assessment for the audit.
- 3.7 ISAs emphasise the importance of two-way communication between auditors and audit committees. As such, Grant Thornton has requested that Audit and Scrutiny Committee consider whether the management responses to the audit queries, at Appendix 2, are consistent with members' understanding and whether there are any further comments the committee wishes to make.

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

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4.4.1 None arising from the contents of this report.

4.5 Other

4.5.1 The audit of the Council's financial statements comprise a key element of the Council's governance arrangements.

5 Financial Implications

5.1 The main audit fee for 2022/23's Statement of Accounts was £67,548, plus an additional £5,000 fees owing to the protracted audit period last year, taking 2022/23's total fees to £72,548, as reported to this Committee in March 2024.

5.2 2022/23 was the last year of five covered by the previous contract with Grant Thornton.

5.3 Following a national procurement exercise conducted by Public Sector Audit Appointments Limited (PSAA), audit fees increased by an average of 151% nationally for 2023/24, with Grant Thornton re-confirmed as the Council's auditor, as previously communicated to Audit & Scrutiny Committee.

5.4 Contracts were competitively tendered by PSAA, with all qualified audit firms eligible to bid. As such, the outcome represents the market rate for public sector audit work.

5.5 For EEBC, the 2023/24 audit scale fee is expected to be £152,455 (increase of 126% compared to 2022/23's main fee), and this has been fully budgeted.

5.6 **Section 151 Officer's comments:** The External Audit Plan for 2023/24 forms part of the external audit process. The Council received an unqualified (favourable) opinion on its Statement of Accounts from the external auditor for 2022/23.

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 **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.

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- 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:

- 2022/23 External Auditor's Annual Report – Audit and Scrutiny Committee, 28 March 2024

Other papers:

- 2023/24 Unaudited Statement of Accounts (<https://epsom-ewell.gov.uk/financialreports>)