

Report of:	Interim Director of Finance
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Submitted to:	Corporate Affairs and Audit Committee
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Date:	29 June 2022
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Title:	External Auditor Annual Report 2020/21
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Urgent:	Not applicable
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Why:	
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Executive summary

The External Auditor Ernst and Young has concluded the planned audit work in relation to the financial year 2020/21 and will present the Annual Report to the Committee for information and discussion.

The report comprises the Auditor's conclusions and recommendations in relation to the audit of the financial statements and in relation to the assessment of the Council's arrangements for securing robust governance and Value For Money. The findings have been subject of previous reports to the Committee over the period July 2022 and updates through to April 2023.

The Council provided management responses to the auditor's 7 recommendations in relation to Value for Money in July 2022 as set out in the Annual Report. The Council has continued to progress the delivery of its Improvement Plan over the last year and the latest progress update is due to be presented to Council on 5 July 2023.

Purpose

1. The purpose of the report is for Ernst and Young, the Council's External Auditor to present the Annual Report relating to the 2020/21 financial year.

Background and relevant information

2. The External Auditor's Annual Report is attached at Appendix 1 and includes the following sections:
 - Executive summary
 - Purpose and responsibilities
 - Financial statements audit
 - Value for Money
 - Other reporting issues
 - Appendix 1 - Fees
3. The External Auditor will present the report to the Committee.

What decision(s) are being recommended?

That the Corporate Affairs and Audit Committee:

- Note the content of the External Auditor's Annual Report.

Rationale for the recommended decision(s)

4. The Committee is required to receive and consider the External Auditor's report to fulfil its governance role and responsibility.

Other potential decision(s) and why these have not been recommended

5. There are no other potential decisions applicable

Impact(s) of the recommended decision(s)

Legal

6. There are no legal implications arising from this report

Strategic priorities and risks

7. The report addresses the adequacy of the Council's governance arrangements for securing value for money in the delivery of public and confirms an unqualified audit opinion in relation to the Council's statutory financial accounts for 2020/21.

Human Rights, Equality and Data Protection

8. Not applicable

Financial

9. The fees for the 2020/21 external audit process are set out below. This is a copy of the table in the EY annual report and is presented in the Council report for clarity. The note references are not appropriate for the purposes of this report.

Description	Final Fee	Planned Fee	Final Fee
	2020/21	2020/21	2019/20
	£	£	£
Base scale fee – Council (note 1)	88,578	88,578	88,578
Base scale fee - Pension Fund (note 1)	21,972	21,972	21,972
Increase for changes in risk and regulatory environment – Council (notes 2,3,8)	81,850	-	53,960
Increase for changes in risk and regulatory environment – Pension Fund (notes 2,3,8)	39,359	-	14,033
Revised base fee	231,759	110,550	178,543
IAS 19 procedures (Code work) (notes 4,5)	8,500	N/A	6,000
IAS 19 procedures (non-Code work) (notes 4,5)	-	N/A	2,000
Revised base fee (inc. IAS 19 procedures)	240,259	110,550	186,543
Additional audit fee for response to specific audit findings – Council (notes 6,7,8)	184,572	-	20,745
Additional audit fee for response to specific audit findings – Pension Fund (notes 6,7,8)	5,000	-	5,202
Total audit fee	429,831	110,550	212,490
Non-audit services – Housing Benefit certification work	13,450	N/A	12,800
Non-audit services – Teachers Pension certification work	5,250	N/A	5,000
Total fees	448,531	110,550	230,290

10. The fees above are significantly higher than both the planned fee for the 2020/21 (4.5 times higher) and the final fee for the previous year's audit. This relates primarily to the length of the audit at just under two years, the increasing changes in both risk and regulation involved with the audit activity, and some of the specific governance issues which culminated in a value for money qualification for the Council. All these points have been raised previously by EY to both Officers and the Committee.
11. The increase in audit fees has been acknowledged by the Council and is being factored into the on-going medium-term financial plan. Given the level of increase in fees, a fee variation request has been submitted by EY to Public Sector Audit Appointments (the regulatory body in this area). The Council can submit its comments as to whether it accepts the fees or not and can provide further explanation or evidence if needed.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Annual audit report to be published on the Council website, along with the audited Statement of Accounts for 2020/21.	Head of Finance & Investments	Early July 2023

Appendices

1	Ernst and Young – Auditor's Annual Report – Year ending 31 March 2021.
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3	

Background papers

Body	Report title	Date
Corporate Affairs & Audit Committee	Draft Statement of Accounts 2020/21	5 th August 2021
Corporate Affairs & Audit Committee	Statement of Accounts (Financial Element)	31 st March 2022
Corporate Affairs & Audit Committee	Infrastructure Assets & Statement of Accounts 2020/21	9 th June 2022
Corporate Affairs & Audit Committee	Audited Statement of Accounts 2020/21	22 nd July 2022
Corporate Affairs & Audit Committee	Highways infrastructure assets update	22 nd September 2022
Corporate Affairs & Audit Committee	Finalisation of the Statement of Accounts 2020/21	8 th February 2023
Corporate Affairs & Audit Committee	Approval of the Audited Statement of Accounts 2020/21	28 th April 2023

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