

Grant Thornton Audit Progress Report

Date: 25th June 2021

Report of: the Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

- Grant Thornton have provided an Audit Progress Report on their 2020/21 audit, which is attached as Appendix 2. The Audit Progress Report outlines their proposed timetable for the 2020/21 audit and their proposed audit fee.
- The report notes that the requirements for the audit of Value for Money arrangements of local authorities have changed significantly this year. This will result in a lengthier audit process which will be reported separately from the audit of the financial statements.
- Grant Thornton's report also highlights some current issues for Members' information.

Recommendations

- a) Members are asked to receive the Audit Progress Report and to note the proposed timetable for delivery of the 2020/21 audit and the proposed audit fees.

Why is the proposal being put forward?

- 1 Under the Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports.

What impact will this proposal have?

Wards Affected:

Have ward members been consulted? Yes No

- 2 The report outlines Grant Thornton's proposed timetable for their 2020/21 audit and their proposed audit fees.

What consultation and engagement has taken place?

- 3 The Audit Progress Report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

What are the resource implications?

- 4 Grant Thornton's report outlines changes to the required audit process to assess whether the Council has in place proper arrangements for securing value for money.

What are the legal implications?

- 5 The Audit Progress Report outlines how Grant Thornton propose to discharge their responsibilities as defined by in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

What are the key risks and how are they being managed?

- 6 Grant Thornton's audit planning process will identify key risks to the preparation of the financial statements and to the council's financial standing, which will be reported within their Audit Plan to the July meeting of the Committee.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 7 The report relates to the council's underlying financial governance arrangements rather than to any specific aspect of service delivery.

Options, timescales and measuring success

a) What other options were considered?

- 8 The report summarises the proposed arrangements for Grant Thornton's 2020/21 audit and outlines the reasons for the proposed timetable and audit fees.

b) How will success be measured?

- 9 The report outlines the progress updates which Grant Thornton intend to provide to the Committee during their audit.

c) What is the timetable for implementation?

- 10 Grant Thornton intend to present their audit plan to the July meeting of the Committee and aim to present an ISA 260 report on the financial statements in November and an Annual Report on value for money arrangements to the February 2022 meeting of the Committee.

Appendices

- 11 Appendix 1 outlines the main issues arising.
- 12 Appendix 2 is Grant Thornton's Audit Progress Report.

Background papers

- 13 None.

Appendix 1 – Main Issues – the 2020/21 audit process

1. Background

- 1.1. The requirements for producing a Council's annual statement of accounts are set out in the Accounts and Audit Regulations 2015. In response to both the ongoing impact of the covid pandemic and the findings of the Redmond Review into local audit, the government has issued regulations to amend the required dates for the production of draft and final accounts for the 2020/21 and 2021/22 financial years.
- 1.2. For these two years, councils are required to produce their draft accounts by 31st July and final audited accounts by 30th September. Both of these dates are earlier than the revised dates for 2019/20, when councils were required to produce draft accounts by 31st August and final audited accounts by 30th November. However around 55% of 2019/20 council audits, including Leeds, were not completed by 30th November 2020.
- 1.3. For 2020/21, the public inspection period for the draft accounts is required to start on or before the first working day of August.

2. Proposed audit timetable for 2020/21

- 2.1. Grant Thornton's report sets out that they will be aiming to start their audit of the financial statements in late July or early August, and to complete this part of the audit by 30th November.
- 2.2. As this date would be later than the statutory date of 30th September, the council would be required to publish a notice on its website by 30th September explaining the reasons why the final audited accounts were not yet available for publication.
- 2.3. The report also provides an overview of the increased audit requirements for the value for money element of the annual audit. A separate and more detailed audit report known as the Annual Report will be required in relation to this element of the audit, and National Audit Office guidance is that this should be produced within 3 months of the conclusion of the financial statement element of the audit. Grant Thornton's report advises that they will be aiming to produce this Annual Report in January, to be presented at the scheduled February meeting of the Committee.

3. Proposed audit fees for 2020/21

- 3.1. The audit scale fee for 2020/21 is £178.6k and Grant Thornton's report sets out a proposed fee of £275.6k.
- 3.2. Members may be aware that following the Redmond Review, the government have set aside an additional £15m to be provided to local authorities as a specific grant to fund the cost of increased audit fees. The government recently conducted a consultation on how this should be allocated across local authorities. This proposed an approach of allocation in proportion to scale fees, but asked for views on a number of other approaches. Until the outcome of this consultation is published, it will not be known to what extent the council's allocation from the overall £15m will cover Grant Thornton's proposed fee variations. However it is possible that the proposed fee increase would be largely covered by the grant.