

Audit & Governance Committee  
12 July 2023

**External Audit Plan 2022/23**

**Purpose of the report:**

To provide the Audit & Governance Committee with an update on the process for undertaking the external audit of the 2022/23 Statement of Accounts.

**Recommendations:**

It is recommended that the Committee:

1. Approve the 2022/23 Audit Plan.

**Introduction:**

1. External auditors are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. Audit and Governance Committee is responsible for approving that plan.

**External Audit Plan 2022/23**

2. The External Audit Plan proposed by Grant Thornton for the audit of the 2022/23 Statement of Accounts is attached in Annex A. The audit is due to commence in July 2023. This report provides an opportunity for the external auditor to communicate its plan for auditing the Council's 2022/23 Statement of Accounts to members.
3. The Annex shares the audit approach, the focus of the external audit work and the preparation work requirements. The Audit Plan enables Grant Thornton to:
  - Explain the audit process.
  - Set out the scope, key responsibilities and approach.
  - Highlight any changes to the requirements of the auditor.
  - Describe significant audit risks and the risk assessment process.
  - Outline the approach to materiality.
  - Advise of the fee for the 2022/23 audit and the independence of the auditor.
  - Outline the process for reporting back to the Council on their work.
  - Set out responsibilities in relation to fraud.
  - Explain the approach to quality control.
4. The plan sets out the significant audit risks to be addressed:
  - Management over-ride of controls
  - Valuation of land and buildings

- Valuation of investment properties
  - Valuation of pension fund net liability
5. These are standard risks across local authority audits and do not indicate that the auditor has specific concerns relating to arrangement in this Council.
  6. Planning materiality has been determined at £31.7m for the group and £31.1m for the council, which is 1.25% of 2022/23 gross operating costs from the draft statement of accounts. Errors and omissions above the materiality level will be reported in the audit findings report.

### **Value for Money**

7. In addition to auditing the Statement of Accounts, the external auditors are required to assess the arrangements in place to ensure value for money. The revised approach to value for money external audit work has been in place since 2021/22. The National Audit Office (NAO) requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:
  - Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures.
  - Governance – a risk that the council has not made informed decisions and is not effectively managing its risks, and
  - Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.

### **Continuous Improvement**

8. The competition of the audit of the 2021/22 Statement of Accounts has encountered a number of delays, resulting in the statutory deadline of 30 November being missed. The delays were the result of both national issues (relating to infrastructure assets and more recently pension fund valuations) alongside delays caused through a lack of clarity of audit requirements and difficulties in interpreting working papers. This lead to numerous follow up questions which take time for the Council to resolve and often spanned a number of different audit resources requiring responses to be repeated on a number of occasions.
9. Whilst the Council is not alone in experiencing issues with meeting the statutory deadline, both parties recognise that improvements can be made for the 2022/23 audit process, to ensure the best possible chance of meeting the tight timetable for completion. The relationship between Grant Thornton and the Council remains strong and communication channels have been open at all times.
10. The Corporate Finance Team at the Council have put the following actions in place to ensure continuous improvement in the completions and audit of the Statement of Accounts Process:
  - a quality review of the financial statements has been undertaken, prior to publication, to reduce potential inconsistencies and audit queries.
  - training sessions for staff across the finance service have been held to improve the quality of working papers provided across the organisation.
  - working paper requirements are being clarified to ensure clear requirements are understood before the audit commences.
  - developed a schedule to communicate the availability of key staff during the audit process, to ensure external audit can target work at time

periods when the appropriate personnel are available to respond to evidence requests and queries.

- committed to produce the working papers on time and ensure that there is a thorough review process before submission.
- will endeavour to check all sample evidence before submission to ensure it is clear and of sufficient quality.
- ensure that sample evidence is always referenced to the sample number.
- committed to discuss any key accounting matters at an early stage of the audit.
- committed to ensure that external experts buy into the audit process and are given advance notice of when to expect requests for supporting evidence.

#### **Conclusions:**

11. Grant Thornton's 2022/23 external audit plan is presented to this Committee for approval.

#### **Financial and value for money implications**

12. The External audit plan details the fees associated with the audit of the financial statements.

#### **Equalities and Diversity Implications**

13. There are no direct equalities implications of this report.

#### **Risk Management Implications**

14. There are no direct risk management implications of this report.

#### **Next steps:**

15. The external audit is due to commence in July 2023 with the audited statement of accounts and audit findings report scheduled to be presented to this Committee by 30 September.

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**Sources/background papers:**

N/A

**Annexes/Appendices:**

Annex A – External Audit Plan 2022/23

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