

Subject:	External Audit – Audit Plan 2020/21 and Annual Audit Letter 2019/20		
Date of Meeting:	9 March 2021		
Report of:	External Auditor (Grant Thornton)		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that our resourcing for the planning phase of the external audit work at Brighton and Hove City Council did not allow for the pre-work, meetings, drafting and review work steps leading to finalisation of the External Audit Plan 2020/21 and Annual Audit Letter 2019/20 to be completed until the first week of March (the week commencing 1st March 2021). Apologies for the late paper, and the Audit Director/Manager will be happy to verbally take members through the key points of focus in the papers at the meeting.

1. PURPOSE OF REPORT AND POLICY CONTEXT**External Audit Plan 2020/21**

1.1 The Audit Plan 2020/21 sets out how the council's appointed external auditor, Grant Thornton, intends to carry out their responsibilities as external auditor for the financial year ending 31 March 2021. The plan covers:

- Identified risks and issues that are expected to impact on the audit;
- Consideration of materiality;
- Arrangements for reviewing Value for Money;
- The anticipated audit fees;
- Assurance regarding independence and ethical considerations.

1.2 The work plan is designed to provide the Council with:

- An audit opinion on whether the council's financial statements give a true and fair view of the financial position as at 31 March 2020 and the income and expenditure account for the year then ended; and
- A statutory conclusion on the council's arrangements to secure economy, efficiency and effectiveness in the use of its resources.

- 1.3 The report also gives information as to the impact on the audit process of the new Code of Audit Practice which has come into effect from the year 2020/21. There are three main changes arising from the new approach:
- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness;
 - More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all the key criteria, rather than the current “reporting by exception” approach;
 - The replacement of the binary qualified/unqualified approach to VFM conclusions with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- 1.4 The Financial Reporting Council has also issued an updated International Standard on Auditing ISA(UK) 540: Auditing Accounting Estimates and Related Disclosures for application in the 2020/21 year. The new standard requires significant enhancements in respect of the audit risk assessment process for accounting estimates.

The External Auditor will need to carry out processes to understand and assess the Council’s internal controls over accounting estimates, including obtaining an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement. The External Auditor will carry out this work across their planning phase in March and the fieldwork phase in July/August.

- 1.5 The report contains an update on the 2019/20 fee variance which is pending approval by Public Sector Audit Appointments (PSAA). The proposed fee increase for the 2020/21 audit, to include fees associated with the additional new work detailed in points 1.3 and 1.4, is still to be confirmed.

Note that we are seeking approval from PSAA to secure the additional fees which were included in the 2019/20 fee for the remainder of the contract via a formal rebasing of scale fees to reflect the increased level of audit work required to enable External Auditors to discharge their responsibilities.

- 1.6 The report summarises the scope of the audit and the planned approach to reviewing assessed risks.

Annual Audit Letter 2019/20

- 1.7 The purpose of the Annual Audit Letter is to communicate to the Members of the Council and external stakeholders, including members of the public, the key issues arising from our work during 2019/20 which we consider should be brought to their attention.
- 1.8 Note that detailed findings from our 2019/20 audit have already been reported to the meeting of the Audit and Standards Committee on 27 October 2020. There are no new findings to report, and this is simply a more concise summary of our audit processes and findings for the year.

2. RECOMMENDATIONS:

That the Audit and Standards Committee:

- 2.1 Considers and notifies the external auditor as to whether or not there are any other matters which may impact on the planned audit.
- 2.2 Note the External Audit Plan 2020/21
- 2.3 Note the Annual Audit Letter 2019/20.

3. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 3.1. The audit fee for 2019/20 was £146,584, pending approval by PSAA of an additional fee variance £21,988 for additional work which was necessary to be carried out during the 2019/20 audit due to the added complexities of the impact of Covid-19. There have been a number of developments since 2019/20, particularly in relation to the revised Code and updated ISA's which will be relevant to the 2020/21 audit and subsequent year audits. These together with the findings of the Redmond Review mean that the External Auditor expects 2020/21 fee to be in excess of the 2019/20 audit fee. Discussions with PSAA around fee variances are ongoing.

Legal Implications:

- 3.2. The Accounts and Audit Regulations 2015, made under the Local Audit and Accountability Act 2014, provide a process whereby the council's statement of accounts in each year must be approved by Members. The council's Constitution delegates responsibility for that function to the Audit & Standards Committee.
- 3.3 The council's appointed external auditors (Grant Thornton) are required to give assurance that the council's accounts are free from material misstatement and to report significant matters arising from the audit. The auditor will present their findings to this Committee through an Audit Results Report (ARR) in accordance with the statutory timetable.

Equalities Implications:

- 3.4 There are no equalities implications arising directly from this report. Information on the audit of the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 3.5 There are no equalities implications arising directly from this report. Information on the audit of the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

SUPPORTING DOCUMENTATION

Appendices:

1. External Audit Plan 2019/20 (Grant Thornton)
2. Annual Audit Letter 2019/20 (Grant Thornton)

Background Documents

None