

**Public
Key Decision - NO**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: External Audit Plan 2023/24

Meeting/Date: Corporate Governance Committee 9 July 2024

Executive Portfolio: Executive Councillor for Finance & Resources (BM)

Report by: Chief Finance Officer (SRS)

Ward(s) affected: All

Executive Summary:

In preparation for the 2023/24 audit, Ernst and Young (EY) are required to inform those charged with governance, how they plan to undertake the audit. The plan is attached as **Appendix 1**, and outlines:

- overview of the 2023/24 audit strategy;
- audit risks;
- value for money risks;
- audit materiality;
- scope of the audit;
- audit team;
- audit timeline; and
- independence.

Recommendation:

The Committee is

RECOMMENDED TO

- review the attached External Audit Plan 2023/24 (Appendix 1) and:
 - comment on the plan in general; and
 - comment on the level of comfort that the frequency of reporting will award (paragraph 4.6) given the anticipated number of external audit updates expected to be received by the Committee before the audit is complete.

1. PURPOSE OF THE REPORT

- 1.1 This is the seventh year that Ernst Young (EY) will be the Council's auditor.
- 1.2 EY are required to detail how the audit will be carried out and this is detailed in EY's Audit Plan at **Appendix 1**. The audit plan includes:
- overview of the 2023/24 audit strategy;
 - audit risks;
 - value for money risks;
 - audit materiality;
 - scope of the audit;
 - audit team;
 - audit timeline; and
 - independence.
- 1.3 The audit plan has been designed to take into account several key inputs:
- strategic, operational, and financial risks relevant to the financial statements;
 - developments in financial reporting and auditing standards;
 - the quality of systems and processes;
 - changes in the business and regulatory environment; and
 - management's view on all of the above.
- 1.4 At the completion of the audit, EY will issue an audit report giving their opinion on whether the Council's financial statements give a true and fair view of the Council's financial position as at the 31 March 2024.

2. BACKGROUND

- 2.1 In order for EY to get to an opinion on whether the financial statements give a true and fair view, the scope of the work they will complete is:
- review and report on the Council's financial statements; and
 - review and report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- 2.2 The review will take place under the International Standards on Auditing (UK and Ireland).

3. RISKS

- 3.1 EY have assessed the risks that the Council is subject to, through discussion with those charged with governance and council officers. The risks can be broken down into two categories:
- financial statement risks, including fraud and error; and
 - value for money risks.

3.2 The financial statement risks that the Council is subject to include:

- misstatements due to fraud or error;
- risk of fraud in revenue and expenditure recognition;
- valuation of land and buildings and investment property; and
- pension liability valuation

3.3 Value for money risks:

When assessing the value for money risks EY will determine whether the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Proper arrangements comprise:

- taking informed decisions;
- deploying resources in a sustainable manner; and
- working with partners and other third parties.

3.4 When considering the arrangements EY will also draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that their assessment is made against a framework that should already be in place.

4. AUDIT APPROACH 2023/24

4.1 The audit will cover the following:

- *analytics* - EY will use computer-based analytics tools to capture whole populations of financial data, the data will then be subject to testing to identify exceptions and anomalies. This type of analysis will help identify specific exceptions and anomalies and gives a greater likelihood of identifying errors than random sampling.
- *internal audit* - internal audit's work in documenting the financial systems and controls, will be used to update EY's understanding, and to carry out walk-throughs of those systems.
- *use of specialists* - When auditing key judgements, reliance will be placed on specialists, who have expertise not possessed by the core audit team. The specialists will be used to, analyse source data, assess assumptions, and judge whether the findings are reflected in the accounts.
- *mandatory audit procedures* - EY will also address the risk of fraud and error, review significant disclosures and corporate controls, report on inconsistencies in the financial statements and address auditor independence.

4.2 In this way the auditors will be able to assess key controls, identify significant risks and carry out substantive testing on transactions and balances.

Materiality

4.3 The level of materiality is defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts.

- 4.4 The planning materiality level for 2023/24 has been set at £2.0m which represents 2% of the Council's prior year's gross expenditure on provision of services per the draft accounts. Performance materiality is set at £1.5m (75% of the planning materiality). In addition, misstatements greater than £0.1m will be reported. It is possible that the level of materiality may change during the audit.
- 4.5 At the end of the audit EY will form an audit opinion by reference to all matters that could be significant to users of the accounts, including the effect of misstatements.

Timetable

- 4.6 The timetable below shows the key dates for the audit and the dates at which Corporate Governance Committee (CGC) will receive reports and updates. The full details of the required communications to those charged with governance are shown in appendix E of the Audit Plan.

Audit Phase	Timetable	CGC Update	Deliverables
High level planning	June 2024	9 July 2024	Audit plan
Year-end audit	September/October 2024		
Completion of audit	November 2024	November 2024	Audit results report
Conclusion of reporting	December 2024	December 2024	Auditor's annual report

Auditor Independence

- 4.7 The Ethical Standards require that EY communicate with the Council on a timely basis on all significant matters that bear on their independence and objectivity. The aim of this is to ensure full and fair disclosure to those charged with governance.
- 4.8 EY have highlighted within the Audit Plan threats to their independence and how they expect to mitigate these. The threats include:
- self-interest threats – other on-going relationships;
 - self-review threats – fees payable to EY are disclosed in the financial statements;
 - management threats – making decisions for the Council; and
 - other threats – advocacy or intimidation.

5. AUDIT FEES 2023/24

- 5.1 The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State of Housing, Communities and Local Government.

5.2 The total audit scale fee for 2023/24 is £151,835.

5.3 It is possible the fee may change if additional work is required because misstatements lead to extra testing, any changes to fees will be discussed with the Council in advance. The fee levels are based on the following assumptions:

- officers meeting agreed timetable of deliverables;
- accounts and value for money conclusions are unqualified;
- appropriate quality of documentation is provided by the Council;
- the Council has an effective control environment; and
- the Council complies with PSAA's statement of responsibilities of auditors and audited bodies.

6. LINK TO THE CORPORATE PLAN

6.1 Delivering good quality, high value-for-money services with good control and compliance with statutory obligations.

7. LEGAL IMPLICATIONS

7.1 There are no direct legal implications arising from this report.

8. RESOURCE IMPLICATIONS

8.1 The budget for external audit fees is £220,000.

9. OTHER IMPLICATIONS

9.1 There are no other implications.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 It is recommended that the Committee reviews the attached External Audit Plan 2023/24 (**Appendix 1**) so members can consider the audit process to be followed.

11. LIST OF APPENDICES INCLUDED

Appendix 1 - Huntingdonshire District Council EY External Audit Plan 2023/24

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