

Committee Name and Date of Committee Meeting

Audit Committee – 04 February 2020

Report Title

Grant Thornton External Audit Plan 2019/20

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide or Choose an item.

Choose an item.

Report Summary

The Council's external auditor, Grant Thornton, in their External Audit Plan set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements for 2019/20 and to conclude on whether the Council has satisfactory arrangements in place to secure value for money in the use of its resources.

The plan outlines the areas Grant Thornton have determined to be significant risk for special audit consideration.

Recommendations

1. Audit Committee is asked to note Grant Thornton's audit plan for 2019/20.

List of Appendices Included

Appendix 1 Grant Thornton Audit Plan 2019/20

Background Papers

Audit Appointment Letter 2019/20

Local Audit and Accountability Act 2014

National Audit Office – Code of Audit Practice

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Grant Thornton External Audit Plan 2019/20

1. Background

- 1.1 Grant Thornton's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 1.2 The audit has two key objectives, requiring Grant Thornton to audit/review and report on the Council's:
 - Statement of Accounts (including the Annual Governance Statement): providing an opinion on the accounts; and
 - use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

2. Key Issues

- 2.1 Grant Thornton's Annual Plan outlines the audit approach and in particular the key risks to the financial statements and Value for Money opinions and how they plan to cover these within the audit.
- 2.2 The International Standards on Auditing provides guidance on the significant risks which should be considered by auditors, these being risks which require special audit consideration. Grant Thornton have identified these significant risks, which are set out below. However, they do not consider Fraudulent Transactions to be a significant risk for the Council and therefore no specific work will be completed, other than normal audit practices and procedures. A brief description of each risk is provided on pages 5 to 9 (financial statements) and page 12 (value for money) of the audit plan:
 - Fraudulent Transactions
 - Management override of controls
 - Valuation of Pension Liabilities
 - Valuation of Land and Buildings
 - Implementation of the Council's new payroll system
 - IFRS 16 leases planning and initial disclosures
 - Financial Standing – delivery of 2019/20 budget, savings plan and Medium Term Financial Strategy (MTFS)
 - Dedicated Schools Grant (DSG) deficit position and recovery plan

3. Options considered and recommended proposal

3.1 Consideration of alternative options was not required.

4. Consultation on proposal

4.1 No consultation is required in respect of this report.

5. Timetable and Accountability for Implementing this Decision

5.1 No decision which will require implementation is anticipated from this report.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

6.1 A proposed fee of £129,288 has been set for 2019/20, compared to £117,438 for 2018/19. The fee for 2019/20 is governed by the Public Sector Audit Appointments (PSAA) company set up by the LGA as successor body to the Audit Commission, any change to the final fee will have to be agreed by the PSAA and the Council's Section 151 Officer.

6.2 The Council's external auditors now face significantly greater pressure on to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations. Therefore the audit fee for 2019/20 includes an additional fee of £20,850, this increase has been seen across the sector, not just for RMBC, it is not a reflection on the Council's quality of accounts.

6.3 There are no direct procurement implications arising from the detail of this report.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

7.1 There are no specific Legal implications arising from the report.

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. Implications for Partners

11.1 There are no implications arising from this report to Partners or other directorates.

12. Risks and Mitigation

12.1 Changes to the Plan and the fee may be necessary if significant new audit risks emerge or Grant Thornton's expectations are not met. Should this be the case, Grant Thornton will first discuss the reason for any change in fee with the Strategic Director of Finance and Customer Services. They will then be brought to the attention of the Audit Committee outlining the reasons for any change.

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	27/01/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	27/01/20
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

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