

East Herts Council Report

Audit and Governance Committee

Date of meeting: 30 January 2024

Report by: Steven Linnett, Head of Strategic Finance and Property (Section 151 Officer)

Report title: Receipt of the External Auditor's Audit Planning Report 2023/24

Ward(s) affected: All

Summary

- The external auditor will present their Audit Planning Report 2023/24 to the Committee setting out the planning for the audit of the 2023/24 statement of accounts.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

(A) Receive and make any comments on the external auditor's Provisional Audit Planning Report 2023/24.

1.0 Proposal(s)

- 1.1 The 2023/24 audit of the statement of accounts will be undertaken by Azets who were appointed by Public Sector Audit Appointments Limited. The plan sets out the auditor's planned work to deliver an opinion on the 2023/24 statement of accounts, their assessment of risk and indicative fee levels.
- 1.2 The report and proposals are the external auditor's and whilst officers are consulted on factual accuracy, they have no ability

to change anything in the report.

- 1.3 The external auditor's Provisional Audit Planning Report for 2023/24 is attached at **Appendix A**.
- 1.4 The scale fee is set by Public Sector Audit Appointments Limited (PSAA) and for the 2023/24 audit will be £236,822 which includes a one-off fee of £18,500 to verify the data transfer from the current on premise financial management system to a cloud based solution. Excluding this one off item the audit fee will increase by 98.8% which is in line with the guide issued by PSAA that councils should expect fees to increase by at least 100%.

2.0 Background

- 2.1 The local public audit market has effectively been dysfunctional since 2020 and there have been severe delays to local authority audits. The council's 2020/21 accounts only received an audit opinion on 16 March 2023. The 2021/22 accounts audit is still in progress and EY have stated that if they can they intend to undertake no work on the 2022/23 accounts. The delay to the audit is due to the external auditor not having sufficient resources to undertake the audit. The [Redmond Review](#) of the local audit market provides useful background information for Members.
- 2.2 The 2023/24 to 2027/28 audits were subject to a competitive tendering exercise undertaken by Public Sector Audit Appointments Limited and Azets Audit Services has been appointed for this period.
- 2.3 The Government has announced they intend to intervene to try and bring the backlog to an end and may allow auditors to disclaim an opinion or to leave a financial year unaudited. This has huge implications for the 2023/24 financial year as

Azets will be unable to issue a clean audit opinion as the brought forward balances would be unaudited. The Government promised further updates in September 2023 and none has been forthcoming to date. The Committee will be updated when Government issue further updates.

3.0 Reason(s)

3.1 The external auditor is required by auditing standards to present the Committee with their Audit Planning Report.

4.0 Options

4.1 Members can ask questions and make observations to the external auditor but they cannot reject the Provisional Audit Planning Report.

5.0 Risks

5.1 The delay to the completion of the audits means that it may affect the council's audit for 2023/24 and mean a clean audit opinion cannot be issued.

5.2 The production of the budget alongside the audit in the last two years has placed a huge strain on resources and required the Head of Strategic Finance & Property and senior officers in Finance to work long hours and led to the process being both stressful and less than efficient than in previous years. Senior officers had to roll up their sleeves and undertake a lot of work usually undertaken by junior staff. This situation has occurred for the last two years and it looks likely to continue for the next two.

5.3 A number of staff are due to reach retirement age in the next 24 months so there is a risk that it will not be possible to recruit suitable replacement staff, particularly qualified staff,

due to the national shortage of local authority accountants.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report

Health and Safety

No

Human Resources

These are contained in the main body of the report

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendices:

Appendix A –Audit Planning Report 2023/24

Background Papers:

None

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