

**Report To:** Audit & Governance Committee

**Date:** 18 July 2024

**Report Title:** External Audit Plan 2023/24 Accounts

**Report of:** Homira Javadi, Director of Finance and Performance (S151 Officer)

**Ward(s):** All

**Purpose of report:** For Grant Thornton to present the Committee with its Audit Plan for 2023/24.

**Officer Recommendations:** 1. To note and approve the Audit Plan for 2023-24.  
2. To confirm that management responses ('Informing the audit risk assessment') are consistent with the Committee's understanding.

**Reasons for recommendations:** The Audit Plan sets out the proposed audit approach and the scope of the work to be carried out by Grant Thornton, and its fees for undertaking that work.

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## **1. Background**

- 1.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's accounts and identifies any significant risks. Grant Thornton, as the Council's new external auditor, must form and express an opinion on the financial statements for the Council.
- 1.2 Representatives from Grant Thornton will attend to present this report and meet the Committee.

## **2. 2023/24 Financial Statements**

- 2.1 The External Audit Plan for 2023/24 (Appendix 1) identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
- Revenue recognition (risk partially rebutted)
  - Management override of controls (journals, estimates and any significant or unusual transactions).
  - Valuation of land and buildings.
  - Valuation of Pension Fund net liability.

- Risk of fraud in expenditure recognition (risk of fraud rebutted but work required on year-end cut-off processes)

- 2.2 One significant Value for Money weakness was identified in Grant Thornton initial planning work of financial sustainability because of the significant financial pressures facing the Council. The additional audit work planned in this area is *“work to obtain an understanding of the Council’s arrangements, including the medium-term financial planning framework and the Council’s approach to addressing budget gaps.”*

### **3. Costs**

- 3.1 Audit fees are set by the Public Sector Audit Appointments (PSAA) as part of its national procurement exercise. The scale fee set out in the 2023/24 contract (net of VAT) is £180,788. The planned fee includes a further £7,530 for work associated with the revised ISA35 and an additional amount relating to the implementation of IFRS16 (new accounting standard on leases).
- 3.2 Any variation to the scale fee will be determined by PSAA in accordance with its procedures as set out here.

Fee variations overview - <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

### **4. Informing the Audit Risk (Appendix C)**

- 4.1 The External Auditor makes a number of initial planning inquiries to inform its audit. This template of inquiries (“Informing the Audit Risk Assessment”) is included as an attachment supporting the External Audit Plan. The attachment incorporates the responses received from management. The External Auditor requests members of the Audit and Governance Committee to confirm that the management responses are consistent with their understanding and that they have no additional comments.

### **5. Proposed timeline**

- 5.1 The proposed timeline is to undertake the year end audit during October to December 2024. Dates for reporting to the Audit and Governance Committee are to be agreed.

### **6. Conclusion and Recommendation**

- 6.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council’s 2023/24 accounts and identifies any significant risks. The plan is presented to the Audit and Governance Committee for consideration and comment.

### **7. Financial Appraisal**

- 7.1 There are no direct financial considerations arising from this report.

## **8. Risk Management Implications**

8.1 There are no implications arising from this report.

## **9. Equality Analysis**

9.1 This is a routine report for which a detailed Equality Analysis is not required to be undertaken.

## **10. Legal Implications**

10.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published. Further comments from the Legal Services Team are not necessary for this routine report.

## **11. Environmental sustainability implications**

11.1 There are no environmental implications from this report.

## **12. Appendices**

12.1 A – Eastbourne Borough Council Indicative audit plan (ye 31/03/2024)  
B – Eastbourne Borough Council Audit progress report and sector updates  
C – Informing the audit risk assessment for Eastbourne Borough Council 2023/24 (Exempt document)

## **13. Background papers**

13.1 None.