

2021/22 Annual External Audit Plans

Committee name	Audit Committee
Officer reporting	James Lake, Finance
Papers with report	2021/22 EY Audit Plan London Borough of Hillingdon 2021/22 EY Audit Plan London Borough of Hillingdon Pension Fund
Ward	All

HEADLINES

The attached documents set out the initial plans for the 2021/22 audit by the Council's external auditors EY. The plans set out the approach to the audit of the Council's Accounts and the Pension Fund Accounts, including a broad timetable which should enable the whole process to be completed by the end of September 2022. Whilst the Pension Fund forms part of the Council's published Financial Statement of Accounts, a separate plan is prepared for that audit.

RECOMMENDATIONS:

That the Committee:

- 1. Note this report**

SUPPORTING INFORMATION

Deadlines

In December 2021, the Department for Levelling Up, Housing and Communities ('DLUHC') announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for the 2021/22 Statement of Accounts. The deadline for the Council to produce the draft accounts is the 31 July 2022. However, both EY and the Council are aiming to bring this forward with draft accounts to be produced by 30 June 2022 and audited accounts to be published on 30 September 2022.

Council Financial Statements Audit Plan

Materiality

The materiality level for 2021/22 is £13.7m based on 1.8% of forecast gross expenditure (2020/21, 1.8%, £13.8m). EY plan to report on all uncorrected audit misstatements greater than £0.7m (2020/21 £0.7m).

Key Financial Statement Risks

The plan highlights the key audit risks and areas of focus, these being the main areas on which specific audit work will focus. There is one new item which has been added for 2021/22 and is indicated below. The key risks for 2021/22 are as follows:

- Management override
- Inappropriate capitalisation of revenue expenditure
- Accounting adjustments made in the Movement of Reserves
- Valuation land and buildings (including council dwellings)
- Derecognition of Infrastructure (New)
- Pension Liabilities and the IAS19 valuations
- Consideration of Group Boundary (Hillingdon First Ltd)
- New central government grants and other COVID funding
- Disclosures on Going Concern

In addition, the auditors' have a statutory duty to provide a value for money conclusion, which covers a broad set of criteria including financial stability and governance, as well improving economy, efficiency, and effectiveness in how it uses information about its costs and performance to improve the management of service delivery.

The outcome of the accounts audit will be provided in the 'Audit Results Report' whilst the Value for Money outcome will be included 'Auditors Annual Report'.

The Council is responsible for appointing its own reporting auditor for the Housing Benefit Assurance Process and certification of the Housing Benefit Subsidy Claim. This will be done along with the Teachers Pension Contributions and Capital Receipts Pooling certification process. As in previous years, to take advantage of the inherent synergies, the Council will request that EY undertake this work.

Fees

The proposed fee for the 2021/22 audit of the main accounts is £121,096. There are additional costs for specialist work and the proposed scale fee increase which are yet to be determined and agreed. (Final fee for 2020/21 £121,096. Specialist fess and the proposed scale fee increase are still to be agreed and confirmed)

Pension Fund Audit Plan

Materiality

Materiality remains unchanged on a basis of 1.0% of the prior year's net assets of the fund, which for 2021/22 is estimated as £11.6m (2020/21 £11.6m). Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.6m (2020/21 £0.6m).

Key Financial Statement Risks

The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. For 2021/22 there has been no change with audit risk areas including:

- Misstatement due to fraud or error
- Misstatement of investment amounts through fraudulent journal entries
- Risk of incorrect valuation of level 3 Unquoted Investments
- Disclosure on Going Concern
- IAS26 Disclosure Actuarial Present Value of Promised Retirement Benefits.

Fees

EY remain in consultation with the PSAA regarding the proposed increase in scale fees. The basic scale fee for the 2021/22 audit is £16,170, with additional specialist fees still to be determined. The proposed increase in scale fees is also yet to be agreed. (Fee for 2020/21 includes the scale fee of £16,170 fee plus additional specialist fees and scale fee increase to be agreed.).

Financial Implications

Included within the body of this report.

Legal Implications

Included within the body of this report.