

## 2021/22 Annual External Audit Plans

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

### HEADLINES

This report was tabled in April and reviewed by the elected members of the Audit Committee. Following the May elections, all previous elected members on the Audit Committee were replaced. To enable proper scrutiny this paper is being presented again to allow newly elected members the opportunity to review and comment.

The attached documents set out the initial plans for the 2021/22 audit by the Councils 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 with the aim of completing the whole process 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 the audited 2021/22 Statement of Accounts to 30 November 2022. The deadline for the Council to produce the draft accounts is the 31 July 2022. Both EY and the Council are aiming to bring this forward to achieve an audited and published set of accounts by 30 September 2022. This is an ambitious endeavour and has an element of risk, however both parties are committed to this objective.

## **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). These limits may alter slightly based on current gross expenditure.

### **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**

Planned 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). These limits may alter slightly based on current asset values.

### **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.