

**SUBJECT: AUDIT STRATEGY MEMORANDUM 2021/2022**

**REPORT OF THE FINANCE DIRECTOR**

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**1.0 Purpose of the report**

- 1.1 This report details the external auditors Audit Plan which notifies the Authority of the work that they are proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2021/2022.

**2.0 Audit Strategy 2021/2022**

- 2.1 The attached Memorandum advises on the scope and approach of the auditors work together with the updated scale fee for the 2021/2022 audit.
- 2.2 The audit scale fees have been maintained at £23,590 for the 2021/2022 audit, which is the same level set for the two previous years and are in accordance with those determined by Public Sector Audit Appointments Ltd (PSAA). However Mazars have had to carry out additional work to complete their audits in the past few years and an additional fees have had to be charged in addition to the scale fees agreed. Section 6 of the report details the fees to be charged for 2021/22 of £37,925 compared to those fees charged for 2020/21 of £39,994. Most of the increased charges relate to recurring additional work in respect of more regulatory aspects in respect of pension disclosures and asset valuations. The fees also reflect the additional work in satisfying the revised and more detailed approach required to audit and report on the Authority's value for money arrangements introduced from 2020/21.

There was an expectation that external audit fees would need to increase generally as both the PSAA and the Redmond Review acknowledged that current scale fees were underestimated based on the fact external auditing work had increased and that there were also fewer accountancy firms actively involved in the public sector market. This was also reflected by the Chancellor where he announced £15m would be made available for public sector bodies to help meet anticipated increased costs of external audit resulting from recommendations from the Redmond Review. The Authority was notified recently that it would receive £12,161 towards the cost of the 2021/22 audit which is welcomed. In addition the government also announced in the 2022/23 Finance Settlement a package of measures to improve the timely completion of local audits, including £45 million additional funding over the next 3 years to support local councils with increased costs relating to new audit requirements. These measures it claimed

will help improve transparency and accountability in councils and other authorities.

- 2.3 The Audit Strategy identifies the specific areas for the planned audit work based upon a risk assessment process and also includes their views on key judgements used within the financial statements and for the Value for Money conclusion. The Memorandum document sets out the key significant risk areas that have been identified for 2021/2022 and are detailed in Section 4 for the Financial Statements and in Section 5 for the Value for Money Conclusion. All identified risks have been discussed with senior officers and are viewed as typical for an organisation of this size and type.
- 2.4 The document also sets out the protocol the auditors will follow in completing their planned work by providing an audit timeline of key phases of their work and also sets out their proposed methods of communication at each stage.
- 2.5 The Memorandum also sets out in Section 8 the materiality levels that will be applied to the audit work for 2021/2022 for member's information.
- 2.6 The auditors will be in attendance to outline the content of the document and to answer any questions.

### **3.0 Recommendation**

- 3.1 The Committee is recommended to note the contents of this report.