

REPORT TO AUDIT COMMITTEE – 17 APRIL 2024

EXTERNAL AUDIT – ANNUAL AUDIT PLAN 2023/24

1 Executive Summary/Recommendations

- 1.1 The external auditor's plan for the 2023/24 financial year is included at Appendix 1. This is the second year of Grant Thornton's appointment as the Council's external auditors.
- 1.2 The programme of work within the plan is set in accordance with Audit Scotland's Code of Audit Practice which applies to all public sector audits in Scotland. The plan sets out the audit fees and the necessary assurances which the auditors will require to support their opinions on the council's financial statements, the council's charitable trusts financial statements and the wider scope audit responsibilities.
- 1.3 International Auditing Standards require an external auditor to communicate with those charged with governance the responsibilities of the auditor in relation to the financial statements audit, and an overview of the planned scope and timing of the audit. For the council, the audit committee is regarded as those charged with governance.
- 1.4 **The Committee is recommended to:**

Review, discuss and note the external auditor's annual audit plan which covers the 2023/24 audit.

2 Decision Making Route

- 2.1 The report sets out the auditors' plans in respect of the 2023/24 audit and covers both the audit of the council's financial statements and the auditors' wider scope responsibilities.
- 2.2 The report was shared with the Director of Business Services and the Head of Finance for comment and feedback. The external auditor's engagement with the Council is through the Audit Committee.

3 Discussion

- 3.1 The auditors' assessment of materiality is set out on page 4, with planning materiality set at £18.000 million for the Council and £18.150 million for the Group. This is an increase from the 2022/23 materiality levels of £16.800 million for the Council and £16.850 million for the Group as a result of an increase in the Council's gross expenditure. As a change to previous years, the trivial threshold is no longer capped at £250,000 as per Audit Scotland guidance, and as such, the auditors have set this at £900,000 for the Council and £907,500. A lower materiality of £25,000 will be used on senior officers' salaries. Grant Thornton

has confirmed that there will be no change in their audit approach as a result of the increase in the trivial threshold, however, they will not report any issues below this threshold to the Audit Committee.

- 3.2 The report includes the auditors' assessment of the significant risks impacting on the 2023/24 audit (pages 11 – 15 'Significant audit risks'). These are consistent with the significant audit risks identified in the 2022/23 audit.
- 3.3 The report includes the scope of the wider scope and best value audit (pages 34 to 37). For 2023/24, the auditors are required to carry out work and report on the Best Value thematic "workforce innovation – how councils are responding to workforce challenges". The auditors will also perform specific work as requested by the Accounts Commission on the Council's statutory performance reporting and follow up on all recommendations made by previous Best Value reporting and the auditors 2022/23 Annual Audit Report.
- 3.4 The overall audit fee for the 2023/24 audit is as follows, which is line with the fee notification from Audit Scotland. This is in excess of the budgeted audit fee (£439,800 budgeted for 2024/25), therefore the excess pressure will need to be accommodated within the overall Finance Service budget.

	2023/24 (£)	2022/23 (£)
Auditors remuneration	318,180	300,170
Audit variation	-	114,000
Contribution to Audit Scotland Performance Audit and Best Value (PABV) costs	98,820	95,580
Contribution to Audit Scotland pooled costs	11,600	11,380
Sectoral cap adjustment	60,420	54,230
Total Council Audit Fee	489,020	575,360
Audit of charitable trusts	12,720	12,000
Total Cost	501,740	587,360

- 3.5 The report sets out the audit timeline (page 8), with a target date for reporting back to the Audit Committee and final Annual Audit Report of September 2024.
- 3.6 The report also sets out progress against the recommendations being reported in the 2022/23 annual report (pages 21 – 33).

4 Council Priorities, Implications and Risk

- 4.1 This report helps deliver all six of the Council's Strategic Priorities and the underlying principle of "right people, right places, right time".

Pillar	Priority
Our People	Learning for Life Health & Wellbeing
Our Environment	Climate Change Resilient Communities
Our Economy	Economic Growth

4.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People's Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health & Wellbeing		X	
Town Centre First		X	

4.3 The proposed audit fee currently exceeds the budgeted audit fee by £61,940. This will need to be managed as part of the overall Finance budget.

4.4 There are no direct staffing implications arising from this report.

4.5 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. This report is for Committee to discuss and comment on external audit's annual audit plan for the financial year 2023/24. There will be no direct impact as a result of this report.

4.6 The external audit process considers financial statement risks and wider audit dimension risks and sets them out in the annual audit plan. Any audit risks identified are detailed in the external auditor's interim management report and/or annual audit report. Recommendations are made to address the identified risks and follow up work is undertaken by the auditor to assess progress against agreed management actions. Follow up activity and progress against actions is reported to the Audit Committee.

4.7 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures (Corporate Risk Register).

- ACORP001 – budget pressures
- ACORP004 – business and organisation change (including ensuring governance structures support change; managing the pace of change)
- ACORP006 – reputation management including social media

5. Scheme of Governance

5.1 The Head of Finance and Monitoring Officer within Business Services has been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.

5.2 The Committee is able to consider this item in terms of Sections G.1.1.b and G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for managing all aspects of the council's relationship with its external auditors.

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Date: March 2024

List of Appendices

Appendix 1: Aberdeenshire Council External Audit Plan 2023/24