

Meeting:	Audit and governance committee
Meeting date:	Tuesday 8 May 2018
Title of report:	2018/19 external audit plan and fee
Report by:	Chief Finance Officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the external audit plan and fee, as detailed in appendix 1, for 2018/19, to ensure that the council has effective statutory external audit arrangements in place as required in the council's constitution.

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing auditors, setting audit fees, overseeing the delivery of consistent, high quality and effective audit services to local public bodies, and ensuring effective management of the contracts with the audit firms.

Recommendation(s)

That:

- (a) subject to any changes the committee wish to recommend, the external audit plan for 2018/19 at appendix 1 be approved; and**
- (b) the external main audit fee of £95, 792 for 2018/19 be agreed.**

Alternative options

1. There are no alternatives to approving a plan and fee, external audit is a statutory requirement, the auditor appointment has been confirmed and the associated fee is set by the regulatory body, Public Sector Audit Appointments Ltd (PSAA).
2. The committee may request changes to the timetable and additions to the workplan, if it were to do so these changes would need to be agreed with Grant Thornton and follow the relevant council's contract, financial and governance processes.

Key considerations

3. There are no changes to the overall external audit work programme for audits of local government audited bodies for 2018/19. Progress against the plan will be reported to the committee as stated in the committee's work plan.
4. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits for 2018/19 will be undertaken in accordance with this code.
5. The external audit fee as detailed in appendix a covers:
 - a. The audit of the financial statements
 - b. The value for money conclusion
 - c. The whole of government accounts return.
6. Previously the external audit plan included the audit of the housing benefit return, from 2018/19 all grant work falls outside the PSAA contract arrangement, therefore assurance engagements will be subject to separate procurements.
7. Progress against the plan will be reported to future committee meetings as detailed in the committee's published work programme.

Community impact

8. In accordance with its adopted code of corporate governance, Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability
9. An efficient and effective audit service supports the council in demonstrating progress towards achievement of our corporate plan priority to secure better services, quality of life and value for money.

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

12. Public Sector Audit Appointments Ltd (PSAA) published the external audit scale fees for opted in bodies (Herefordshire Council is an opted in body) for 2018/19 in March 2018.
13. Individual scale fees have reduced by 23 percent from the fees applicable in 2017/18. Herefordshire Council's fee has been set at £96k, this was set at £124k for 2017/18. This is funded in the 2018/19 base budget and the finance team is adequately resourced to support the audit plan.
14. Any additional work, including the housing benefit certification audit for 2018/19, will be subject to separate governance.

Legal implications

15. The Local Audit and Accountability Act 2014 states that the accounts of a relevant authority for a financial year must be audited:
- (a) in accordance with the Act and provision made under it, and
 - (b) by an auditor (a "local auditor") appointed in accordance with the Act or provision made under it.
16. A local auditor must, in carrying out the auditor's functions in relation to the accounts comply with the code of audit practice applicable to the council that is for the time being in force. The current code of practice for UK Local Government is the Code of Audit Practice issued by the National Audit Office in April 2015.
17. The code requires under section 1.17 that the auditor should share and discuss their audit plan at an early stage with the audited body.

Risk management

18. The proposed fee is set independently. There is a risk that the actual external audit cost may increase if the planned audit work is not adequately supported through the provision of materially correct financial statements and working papers within the agreed timeframes. The audit plan and progress reports will provide the committee with updates on this risk, currently this risk is assessed as low.

Consultees

19. None. Before publishing the external audit scale fees, PSAA consulted with opted-in bodies, their representative organisations, PSAAs contracted audit firms, bodies of accountants and other relevant national stakeholders.

Appendices

Appendix 1 External audit plan and fee for 2018/19

Background papers

None identified