

Meeting:	Audit and governance committee
Meeting date:	Tuesday 24 September 2019
Title of report:	2018/19 additional external audit fee
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

For the committee to note the proposed additional external audit fee charge for work completed during the external audit of the 2018/19 statement of accounts and reaching a value for money conclusion.

The additional fee proposed is £10,500 following the requirement to incur an additional 14 days external audit work.

Recommendation(s)

That:

- (a) the committee review the reasons for the proposed fee increase and determine any views they wish to put forward to Public Sector Audit Appointments Limited regarding the proposal.**

Alternative options

1. None. The additional work has been completed by Grant Thornton. The Public Sector Audit Appointments Limited (PSAA) is the designated appointing person under the 2015

Local Audit (Appointing Persons) Regulations that has the legal responsibility for agreeing the proposal, and will have regard to the views of the committee in doing so.

Key considerations

2. It is a function of the committee to:
 - review and agree the External Auditors annual plan, including the annual audit fee and annual letter and receive regular update reports on progress; and
 - comment on the scope and depth of external audit work and to ensure it gives value for money.
3. The council's external auditor contract is managed by Public Sector Audit Appointments Limited (PSAA). Grant Thornton's proposed 2018/19 external audit fee was £96k, a reduction of £28k on scale fee applied in 2017/18 as proposed by the PSAA and approved by the committee on 23 January 2019.
4. The scale fee covers the audit of the statement of accounts, value for money conclusion and review of the whole of government accounts. It is based on the reasonable expectation of the auditor on the work required on the accounts and working papers.
5. The scale fee excludes any additional work outside that reasonable expectation. Following identification of additional work, variations to the agreed fee can occur and there is a validation process that needs to be followed. This is where the auditor agrees the proposed fee variation locally, first with officers and then with the audit and governance committee. The identification of additional work is normally in the form of national developments during the audit period. Following this Grant Thornton approach PSAA with their verification ahead of the variation becoming payable. In 2017/18 an additional fee of £6,686 was approved by the committee.
6. The cost overrun in 2018/19 reflects a number of areas where the scope of the audit work changed, specifically:-
 - Assessing the impact of the national McCloud ruling on transitional arrangements for pensions that were ruled discriminatory by the Court of Appeal last December.
 - An increased level of scope and coverage of external audit work in respect of pension international accounting standard 19 following highlighted need by the national Financial Reporting Council.
 - The national Financial Reporting Council also highlighted a need for external auditors to increase their volume and scope of work on property, plant and equipment valuations.
 - Locally an additional two days' work was required to be undertaken on reaching the value for money conclusion. This additional work followed Grant Thornton being alerted to a matter arising in a draft Internal Audit Report. The Internal Audit Report will include recommendations to mitigate a similar future re-occurrence.
7. Grant Thornton has discussed the additional work required with the S151 officer who has confirmed that the additional work was required and this proposal is reasonable.

Community impact

8. In accordance with the adopted code of corporate governance, the 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.

9. An efficient and effective audit service supports the council in demonstrating compliance with its code of corporate governance and its 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. The 2018/19 external audit scale fee was set at £96k. This variation will increase the 2018/19 external audit cost to £106k which will be funded by existing budgets.

Legal implications

13. The Local Audit and Accountability Act 2014 provides that the audit has to be conducted under a Code of Audit Practice.
14. The duty to prescribe scales of fees for work undertaken in accordance with the Code is a statutory function delegated to PSAA by the Secretary of State for Communities and Local Government.
15. The scale fees for individual audited bodies are normally based on the scale fee for the previous year and are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
16. PSAA can approve proposed variations to the scale fee for an individual audited body, to reflect changes in circumstances. PSAA will consider the views of the council when finalising the fee.

Risk management

17. The fee variation proposed has no direct impact on risk management. The external audit work required continues to evolve until the completion of the audit therefore a cost overrun is a possible inherent risk, mitigation action is completed by ensuring adherence and compliance to the external audit plan.

Consultees

18. None

Appendices

Appendix 1 Additional 2018/19 external audit fee proposal

Background papers

None identified