

Meeting:	Audit and governance committee
Meeting date:	Tuesday 30 July 2019
Title of report:	2019/20 external audit fee
Report by:	Chief executive

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the planned external audit fee and to note the outline timetable, as detailed in appendix 1, for 2019/20, to ensure that the council has effective statutory external audit arrangements in place as required in the council's constitution.

For opted in bodies like Herefordshire, Public Sector Audit Appointments Ltd (PSAA) is responsible for setting audit fees and has set the 2019/20 fee scale at the same level as 2018/19, unless there are specific circumstances which require otherwise which is not the case for Herefordshire.

The outline 2019/20 external audit timetable is in line with the 2018/19 timetable.

Recommendation(s)

That:

subject to any changes the committee wish to recommend, the external audit outline timetable and main audit fee of £96k for 2019/20 at appendix 1 be approved.

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/or 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. The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted-in local government bodies from 2018/19. Herefordshire opted into these arrangements as approved at the Council meeting dated 13 October 2017.
4. For opted-in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. As outlined at appendix 1, Herefordshire's scale fee for 2019/20 has been set by PSAA at £96k which is the same as in 2018/19.
5. The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated if considered necessary as Grant Thornton's work progresses.
6. There are no changes to the overall external audit work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code.
7. The scale fee covers:
 - The audit of the financial statements
 - The value for money conclusion
 - The whole of government accounts return (if applicable).
8. 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. PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.
9. Grant Thornton will undertake audit planning and interim audit procedures in October to March 2020. Upon completion of this a detailed audit plan will be issued. Progress against the plan will be reported to the committee as stated in the committee's work plan.

Community impact

10. 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.
11. 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

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.
12. 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

13. Public Sector Audit Appointments Ltd (PSAA) published the external audit scale fees for opted in bodies (Herefordshire Council is an opted in body) for 2019/20 in March 2019.
14. Individual scale fees have remained the same for 2019/20 as is 2018/19. This is funded in the 2019/20 base budget and there are adequate resources internally to support the audit plan.

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

None

Appendices

Appendix 1 Proposed 2019/20 external audit fee and outline timetable

Background papers

None identified