

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of the Director of Finance

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Date: 29 March 2018

External Audit Plan 2017-18

Executive Summary

The Council's external auditors, Grant Thornton, have prepared their annual audit plan for 2017-18. The plan, which is attached as **Appendix 1**, details the programme of work that Grant Thornton intend to carry out during 2017-18, the approach they will adopt and significant risks that they will review as part of the audit. Page 11 of the audit plan details the parts of the audit, the dates the work will be carried out, and details the fee that Grant Thornton will charge in respect of the external audit of the Council. The overall fee for the core audit is the same as the fee charged in 2016-17 and is within budget as reported to the Committee at its meeting on 15 June 2017.

For audits of the accounts from 2018-19 Public Sector Audit Appointments (PSAA) are responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. At its meeting on 6 December 2016, full Council resolved to opt-in to the appointing person arrangements made by PSAA. Grant Thornton UK LLP was successful in winning a contract in the procurement process and have been recommended by PSAA as the Council's auditors for a period of 5 years from 2018-19. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.

Grant Thornton have also been appointed as auditors to nine Surrey Boroughs/Districts and Surrey County Council. There are no issues in respect of independence or any other reasons that would have prevented the appointment of Grant Thornton as auditors.

Recommendation to Committee

The Committee is asked to approve the external audit plan submitted by Grant Thornton, as set out in Appendix 1 to this report, and the fee set out on page 11 of Appendix 1; and to make any comments it feels relevant.

Recommendation to Council (10 April 2018)

That, following conclusion of the tendering exercise conducted through Public Sector Audit Appointments Ltd, Grant Thornton UK LLP be appointed as the Council's auditors for a period of five years commencing with the audit of the 2018-19 Statement of Accounts.

Reasons for Recommendation:

- To enable the Committee to consider and comment on the planned audit fee, work programme and update report
- To comply with regulation 13 of the Local Audit (Appointing Person) Regulations 2015

1. Purpose of Report

- 1.1 This report provides a summary of the proposed external audit fee and the work programme for the audit of the 2017-18 accounts, value for money opinion and the grant certification work as set out in the audit plan attached at **Appendix 1**. Officers recommend that the Committee approves the fee and makes any comment that it feels relevant.
- 1.2 The report also provides an update on the future of external audit following the conclusion of the tendering process conducted by Public Sector Audit Appointments (PSAA) Ltd.

2. Strategic Framework

- 2.1 The 'Your Council' theme within the Corporate Plan 2015-20 sets out the Council's key priorities of improving value for money and efficiency in service delivery, ensuring long-term financial stability and sound financial governance. The annual audit by Grant Thornton contributes to the achievement of those priorities.

3. Background

- 3.1 When the external audit function transferred to private firms in 2012, the Audit Commission proposed that the scale fee (which covers the core audit) would be reduced by 40 per cent and remains the same until the audit for 2016-17. The fee for the 2017-18 core audit will be £57,533; this is the same as the core audit fee for 2016-17 and is the second year that the fees have been held at the same level. The audit plan contains details of the scope of work covered by the core audit fee.
- 3.2 The external auditor charges a separate fee for Grant Certification work. The indicative fee for 2017-18 is £19,993, which is a decrease of £5,006 since 2016-17. The actual fee charged may vary from the indicative fee, depending on the level of work necessary to complete the grant certification work. The certification work covers the audit of the Housing Benefit Subsidy Claim and the decrease in the fee reflects the increase in the level of work required following the qualification of the claim in previous years.

- 3.3 Overall, there is a 6% decrease in audit fees from £82,532 in 2016-17 to £77,526 in 2017-18.

Future of External Audit

- 3.4 At its meeting on 6 December 2016, the Council received a report on the future of external audit and considered three options for the procurement of external audit for 2018-19 onwards. Following a recommendation from the Corporate Governance and Standards Committee, the Council resolved to opt in to the sector led procurement process, through the Local Government Association's (LGA) wholly owned company, Public Sector Audit Appointments (PSAA) Ltd.
- 3.5 Grant Thornton UK LLP was successful in winning a contract in the procurement process and have been recommended by PSAA as the Council's auditors for a period of 5 years from 2018-19. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.
- 3.6 Grant Thornton have also been appointed as auditors to 9 Surrey Boroughs/ Districts and Surrey County Council. There are no issues in respect of independence or any other reasons that would have prevented the appointment of Grant Thornton as auditors.
- 3.7 The Corporate Governance and Standards Committee is asked to consider the recommendation from PSAA Ltd and to recommend to Council the formal approval of Grant Thornton UK LLP as the Council's auditors from 2018-19.

4. Financial Implications

- 4.1 There is budget provision in the 2017-18 estimates for the audit fees and the fees for other services provided by Grant Thornton.

5. Legal Implications

- 5.1 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.
- 5.2 A local auditor must, in carrying out the auditor's functions in relation to the accounts of a relevant authority, comply with the code of audit practice applicable to the authority 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 (NAO). The code adopts the International Standards of Auditing (ISAs) as issued by the FRC.

- 5.3 ISA 260, Communication of audit matters with those charged with governance, requires the auditor to outline the audit strategy and plan to deliver the audit. The External Audit Plan at Appendix 1 meets that requirement.
- 5.4 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 also provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
- 5.5 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 5.6 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 2015 No. 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

6. Human Resource Implications

- 6.1 There are no human resource implications to the report

7. Conclusion

- 7.1 The report outlines Grant Thornton's external audit plan for 2017-18. The audit fee has decreased by £5,006 (6%) since 2016-17.

8. Background Papers

None

9. Appendices

Appendix 1: Grant Thornton: The Audit Plan for Guildford Borough Council year ended 31 March 2018