

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of the Director of Finance

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External Audit Plan 2018-19

Executive Summary

The Council's external auditors, Grant Thornton, have prepared their annual audit plan for 2018-19. The plan, which is attached as Appendix 1, details the programme of work that Grant Thornton intend to carry out during 2018-19, the approach they will adopt and significant risks that they will review as part of the audit. Page 12 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 has reduced from the fee charged in 2017-18 as reported to this Committee on 14 June 2018.

As part of the audit plan, the Council requested that Grant Thornton undertake additional value for money work for 2018-19. This work informed the Council's consideration of the Future Guildford Transformation programme at its meeting on 26 February 2019. Appendix 2 contains the Supplementary VfM Findings report for information, due to the short timescales involved in the review it was not possible to report this work to the Committee at its meeting on 17 January 2019.

For audits of the accounts from 2018-19 Public Sector Audit Appointments (PSAA) were 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, the 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 were recommended by PSAA as the Council's auditors for a period of five 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 and by Council on 10 April 2018.

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 12 of Appendix 1; and

to make any comments it feels relevant.

Reason for Recommendation:

To enable the Committee to consider and comment on the planned audit fee, work programme and update report

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 2018-19 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 audit plan, notes the fee and makes any comment that it feels relevant.

2. Strategic Framework

- 2.1 The annual audit by Grant Thornton underpins the achievement of all of the Corporate Plan 2018-23 key priorities. In particular the key priority of Using innovation, technology and new ways of working to improve value for money and efficiency in Council services.

3. Background

- 3.1 During 2017, the audit of local government bodies was retendered by Public Sector Audit Appointments (PSAA) Ltd. As a result, Grant Thornton were appointed as the Council's auditors for a five year period from 2018-19 by the PSAA board at its meeting on 14 December 2017 and by this Council on 10 April 2018. The fee for the 2018-19 core audit will be £44,300, a 23% reduction on the 2017-18 core audit fee of £57,533. The audit plan at Appendix 1 contains details of the scope of work covered by the core audit fee.
- 3.2 At the request of the Council, Grant Thornton have undertaken additional value for money work to help the Council understand its future financial sustainability position and inform the consideration of the Future Guildford Transformation Programme. The findings from this review were considered by full Council on 26 February 2019 and have been included in Appendix 2. Due to the short timescales involved in the review, it was not possible for the Committee to consider the outcome of this work prior to presentation to full Council. The report has therefore been included within this report for the Committee's information. The fee paid for the additional value for money works was £7,000.
- 3.3 The external auditor charges a separate fee for Grant Certification and non-audit related work. The indicative fee for 2018-19 of the non-core audit work is expected to be £36,000 as set out on page 14 of Appendix 1. 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.

- 3.4 The overall fees to be paid to Grant Thornton for 2018-19 will be £87,300 taking into account all elements of work.

4. Financial Implications

- 4.1 There is budget provision in the 2018-19 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 Financial Reporting Council.
- 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 2018-19.

8. Background Papers

None

9. Appendices

Appendix 1: Grant Thornton: The Audit Plan for Guildford Borough Council year ended 31 March 2019

Appendix 2: Supplementary VFM Findings Report 2018-19