

Corporate Governance and Standards Committee Report

Report of the Managing Director (Chief Finance Officer)

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External Audit Plan 2016-17

Executive Summary

The Council's external auditors, Grant Thornton, have prepared their annual audit plan for 2016-17. The plan, which is attached as **Appendix 1**, details the programme of work that Grant Thornton intend to carry out during 2016-17, the approach they will adopt and significant risks that they will review as part of the audit. Pages 15 and 16 set out the interim audit work undertaken so far and the auditor's conclusions in respect of that work. Page 17 of the audit plan details the parts of the audit and the dates by which the work will be carried out. Page 18 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 2015-16 and is within budget as reported to the Committee at its meeting on 16 June 2016.

Recommendation to Corporate Governance and Standards Committee

That the Committee approves the external audit plan submitted by Grant Thornton, including the audit fee set out on page 18 of Appendix 1, and makes 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 2016-17 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 notes the fee and makes any comment that it feels relevant.

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% and remains the same until the audit for 2016-17. The fee for the 2016-17 core audit will be £57,533; this is the same as the core audit fee for 2015-16. 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 2016-17 is £24,999, which is an increase of £11,074 since 2015-16. 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 increase in the fee reflects the increase in the level of work required following the qualification of the 2014-15 and 2015-16 claims.
- 3.3 Overall, there is a 15% increase in audit fees from £71,458 in 2015-16 to £82,532 in 2016-17.

4. Financial Implications

- 4.1 There is budget provision in the 2016-17 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, Section 4 (1), 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, (Section 19 Local Audit and Accountability Act 2014). 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.

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 2016-17. The audit fee has increased by £11,074 since 2015-16.

8. Background Papers

None

9. Appendices

Appendix 1: Grant Thornton: The Audit Plan for Guildford Borough Council year ended 31 March 2017