

Subject:	External Audit Annual Fee Letter 2019-20
Date of Meeting:	(Insert Date)
Report of:	Executive Director for Finance & Resources
Contact Officer: Name:	Nigel Manvell
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Ward(s) affected:	(All Wards);

FOR GENERAL RELEASE/ NOT FOR PUBLICATION**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report provides details of the planned external audit annual fee for the audit of the 2018/19 financial statements and sets out the scope of the external auditor's responsibilities and a high level timetable for the completion of the work.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note the planned audit fee for the audit of the 2018/19 financial statements as set out in the Annual Fee Letter at Appendix 1.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and repealed the Audit Commission Act 1998. Its aim, as stated in Department of Communities & Local Government (DCLG) guidance, was to give local bodies the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence.
- 3.2 Following the decision to abolish the Audit Commission, auditors for each local authority were appointed by means of a national procurement exercise for a period of 5 years from 2013/14 to 2017/18. This appointment having been made under a contract originally let by the outgoing Audit Commission. This contract passed to the management of Public Sector Audit Appointments (PSAA) Ltd, a new body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State for Communities & Local Government.
- 3.3 In recent years local authorities have benefited from reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with firms of accountants and savings from closure of the Audit Commission. The council's external audit fee for the 2017/18 accounts, the final year of this contract, was £158,550.

- 3.4 For external audits commencing from the audit of the 2018/19 financial year, the council elected to join a new national procurement process led by PSAA Ltd on behalf of the majority of local authorities. Only a handful of local authorities did not elect to join this process. The decision to join the national process was made by full Council on 26 January 2017. Apart from avoiding administrative costs, the national procurement exercise was considered to be most likely to offer the most favourable scale fees and secure resilient audit firms.
- 3.5 The outcome of the process was completed in December 2017 and resulted in the appointment of Grant Thornton UK LLP as the council's external auditor for a period of 5 years. The process also ensured that the same audit firm was also appointed to Orbis Partners, Surrey and East Sussex County Councils. The scale fee for the 2018/19 accounts audit is confirmed in a letter from Grant Thornton's Engagement Lead, Darren Wells, at appendix 1 which confirms the planned annual fee to be £122,084, a reduction of 23% on the previous contract.
- 3.6 The Audit Fee Letter also confirms the scope of the external auditor's responsibilities which in summary are:
- To undertake the audit and give an opinion on the council's financial statements;
 - To review the arrangements and provide a conclusion on the council's approach to securing value for money;
 - To audit the Whole of Government Accounts (WGA) return.
- The letter also sets out a high level timetable for the audit work.
- 3.7 It should be noted that all grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. The council will therefore need to separately procure these assurance services in respect of:
- Housing Benefit subsidy certification
 - Teachers Pensions Scheme certification
 - Decent Homes Standard certification
- These separate audits will be procured in accordance with Contract Standing Orders (under £25,000 procurements) by the Chief Finance Officer and are not expected to exceed £25,000 in total. There is existing budget provision for these audits. A saving of £30,000 has been included in the council's 2019/20 budget to reflect the overall reduction in costs across all audit and certification work.
- #### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**
- 4.1 The council elected to join the sector-led procurement of its external auditor appointment by PSAA Ltd and is therefore bound by the outcome of this national procurement process.
- 4.2 The procurement of other minor audit and certification processes will be undertaken through tender processes in accordance with Contract Standing Orders to ensure value for money.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Engagement and consultation with all local authorities was undertaken by PSAA Ltd in the lead up to the decision to elect to join the national procurement process. No other consultation has been undertaken.

6. CONCLUSION

- 6.1 The Annual Fee Letter sets out the scope of the external auditor's duties and the anticipated audit fee for the audit of the 2018/19 accounts.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 As noted in the report, the scale fee for Brighton & Hove City Council will be £122,084, a reduction of 23% on the previous audit fee. A saving of £30,000 has been incorporated in the 2019/20 budget in respect of this and other audit and certification fees. There is existing budget provision for the smaller, separate grant audit and certification processes that fall outside of the PSAA contract. Therefore the revised audit fees are covered by the planned and approved budget in 2019/20.

Finance Officer Consulted: James Hengeveld

Date: 07/06/19

Legal Implications:

- 7.2 Section 7 of the Audit Commission Act 1998 places the council under a legal duty to pay an audit fee in line with the scale of fees prescribed by the Audit Commission.

*Lawyer Consulted: Elizabeth Culbert
2019*

Date: 13th June

Equalities Implications:

- 7.3 There are no direct equality implications arising from this report.

Sustainability Implications:

- 7.4 There are no direct sustainability implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Grant Thornton UK LLP Audit Fee Letter

Background Documents:

None

