

**Agenda Item No:** 12  
**Report To:** **AUDIT COMMITTEE**



**Date:** **30 June 2015**

**Report Title:** External audit Programme of Work and fees 2015/2016

**Report Authors:** Paul Naylor, Deputy Chief Executive (covering summary)  
Emily Hill, Grant Thornton UK LLP (attached letter)

**Summary:**

Each year the external auditor, currently Grant Thornton UK LLP, submits its agreed fee scale to the council. Grant Thornton's letter is attached to this report. The fees result from the former Audit Commission's procurement of external audit services for local government and the health sectors, which resulted in the current contract with Grant Thornton for the south east region. That first procurement covering 70% of the Commission's work at that time resulted in a 40% reduction in fee costs locked in for five years. Last year the remaining 30% of the Commission's work was awarded and results in a further 25 per cent reduction to scale audit fees and indicative certification fees for most audited bodies.

The Commission was asked to set the fees for 2015/16 before it closed on 31 March 2015. The contracts with audit firms run until 2017, with a possibility of extension for up to three years. The Department for Communities and Local Government will make a decision about whether to extend the contracts in due course. The Local Government Association will consult councils on the options. There will be a full report to the Audit Committee in September setting out these options and the implications for the council in the lead up to all councils having the ability to select their external auditor at a future point.

The responsibility for overseeing the current audit contracts, and for setting fees under them, passed to Public Sector Audit Appointments Limited (PSAA) from 1 April 2015. PSAA is an independent private company established by the Local Government Association to manage the audit contracts until they expire. PSAA will consult on and set fees for 2016/17.

The council's 2015-2016 revenue budget reflects the reduced fees

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendations:** **The Committee is asked to note the fee scale for 2015-2016 and the external auditor's outline of planned audit work for this year.**

**Policy Overview:** External audit is a statutory requirement for the council and an essential component of the governance

framework.

**Financial  
Implications:**

As the summary highlights a significant reduction in fee costs has resulted from the external procurement of audit services by the former Audit Commission. These reduced costs are reflected in our budget together with a small contingency to cover extra audit costs if needed

**Risk Assessment**

Not applicable

**Equalities Impact  
Assessment**

Not applicable

**Other Material  
Implications:**

None arise

**Background  
Papers:**

None

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8 April 2015

Dear John

### **Planned audit fee for 2015/16**

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for Ashford Borough Council along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £60,311, which compares to the audit fee of £80,415 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives [http://webarchive.nationalarchives.gov.uk/\\*/http://www.audit-commission.gov.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/) and on the Public Sector Audit Appointments PSAA website [psaa.co.uk](http://psaa.co.uk)

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

### **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

### **Value for Money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

### **Certification of grant claims and returns**

The Council's indicative grant certification fee has been set by the Audit Commission at £8,112.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2015	15,077.75
December 2015	15,077.75
March 2016	15,077.75
June 2016	15,077.75
<b>Grant Certification</b>	
December 2016	8,112.00
<b>Total</b>	<b>68,423.00</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Emily Hill	(0)20 7728 3259	Emily.hill@uk.gt.com
Engagement Manager	Lisa Robertson	020 7728 3341	lisa.e.robertson@uk.gt.com
In Charge Auditor	Neil Robertson	020 7383 5100	neil.a.robertson@uk.gt.com

**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner [Paul.Dossett@uk.gt.com](mailto:Paul.Dossett@uk.gt.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Emily Hill', with a stylized, cursive script.

Emily Hill  
Engagement Lead

For Grant Thornton UK LLP