



TO: Audit & Governance Committee

FROM: Director of Finance

DATE: 26th October 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: External Audit Fees 2020/21

1. PURPOSE

- 1.1 The purpose of this report is to inform the Committee of the proposed Audit Fees for 2020/21 from Grant Thornton for the audit of the Council's Statement of Accounts and the work necessary to report on the Council's arrangements for value for money.

2. RECOMMENDATIONS

- 2.1 The Committee is recommended to:-
- a) approve in principal the proposed Audit Fees for 2021/22 as set out in the report, subject to the outcome of Public Sector Audit Appointment's (PSAA) consideration of the additional audit fees proposed by Grant Thornton;
 - b) note the additional grant funding to be made available by the Government for additional External Audit Fees and the rebate from PSAA.

3. BACKGROUND

- 3.1 At the meeting of this Committee on 30th March 2021, Councillors were provided with a report giving an update on fees chargeable by the Council's External Auditors, Grant Thornton. This included information on the prospective fees for 2020/21 and additional commentary indicating that, in the light of changes to the Code of Audit Practice and more detailed work in areas such as value for money, the final audit fees for the year '*could not be accurately or reliably estimated*' at that stage.
- 3.2 The report also highlighted that the Government was to make available £15 million to local authorities in 2021/22 to meet an expected increase in External Audit fees arising from changes to the Code of Audit Practice and new reporting requirements recommended by the Redmond Review into Local Public Audit and Local Authority Financial Reporting. An update on this matter is provided in this report.

4. KEY ISSUES

- 4.1 On 9th September 2021, Grant Thornton notified the Council of their likely fees for audit of the Council's Statement of Accounts for 2020/21 and the work to be undertaken to assess the Council's arrangements for value for money. A copy of the notification is provided at **Appendix A** (with details of the fees chargeable also set out in the proposed External Audit Plan for 2020/21 which is provided elsewhere on the Agenda for this meeting). In summary, the proposed fees are (with a comparison to 2018/19 and 2019/20 also provided:-

	2018/19	2019/20	2020/21
Scale Fee	79,186	79,186	79,186
Other Fees	10,000	29,037	53,000
Estimated Audit Fees	89,186	108,223	132,186

- 4.2 As Councillors will note, and as noted in the previous report on this matter, the fees have increased as a consequence of a range of factors including changes to the Code of Audit Practice, impact of Covid-19 and much more in-depth work on value for money with a particularly focus on financial resilience. Details of these matters are set out in the letter from Grant Thornton.
- 4.3 It should be noted that, in accordance with established procedures, the additional fees over and above the normal scale fee are subject to approval by PSAA. Equally, the fees proposed are estimated based on the anticipated work required; as the audit of the Council's Statement of Accounts and value for money arrangements progresses, this may lead to variations in the work required that may change the final fees chargeable. As a consequence, it is not possible at this stage to confirm these fees.
- 4.4 Councillors should also note that, as set out in Audit Plan for 2020/21 and in line with previous years, the Council is also required to pay for the audit of the Housing Subsidy Return (£11,700) and Teachers Pension Return (£5,985).

Additional Funding

- 4.5 Over the Summer of 2021, the Government consulted on the allocation of the £15 million additional funding made available to meet the additional costs of external audit in 2021/22 (and associated with the audit of the Statement of Accounts for 2020/21 and work on the value for money assessment).
- 4.6 The outcome of that consultation are funding allocations based on the Government's preferred methodology. On the basis of this preferred methodology, the Council's share of the additional funding is £40,821 and broadly equivalent to additional charges from External Audit.
- 4.7 Councillors should also note that the Council has received a rebate from PSAA of £15,620, being a repayment of surplus Audit Scale Fees paid in previous years. As Councillors may know, whilst Grant Thornton invoice the Council for the Audit Scale Fees, they belong to PSAA. The revenue received by PSAA is to cover directly the costs of the auditors and the operating expenses of PSAA. If at the end of the period there is a remaining surplus or a shortfall, as a result of expenses being over or under-estimated, revenue is adjusted to the actual amount receivable from the opted-in bodies and payable by PSAA in total. Surplus funds are repaid to the opted in bodies the surplus was generated from hence the rebate here.

5. POLICY IMPLICATIONS

5.1 There are no policy implications arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1 The Council's budget for External Audit Fees in 2021/22 is £91,900. On the basis of the information contained in this report, the cost of External Audit Fees for 2021/22 is estimated to be £132,186 plus a further £17,685 for non-audit services. Assuming these fees are confirmed, and taking into account the grant funding from Government and the rebate from PSAA Ltd, the net cost of audit fees for 2021/22 is expected to be £93,430.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS

8.1 There are no other resources implications arising from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

9.1 There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

10.1 None arising from the contents of this report.

11. STATEMENT OF COMPLIANCE

11.1 The recommendation in this report are made further to advice from the Monitoring Officer.

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	4 th October 2021
BACKGROUND PAPERS:	Report to Audit and Governance Committee on 30 th March 2021 'External Audit Fees and Statutory Accounts Audit Deadlines'