

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: ACCOUNTS & AUDIT COMMITTEE**

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## **External Audit – Miscellaneous Matters**

### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Committee with an update on the following matters linked to the Council's external audit arrangements:
  - (a) confirmation of the Council's appointed external auditor from 2018/19;
  - (b) consultation by the PSAA<sup>1</sup> on the 2018/19 scale of audit fees;
  - (c) the PSAA report on the results of auditors work for 2016/17: Local Government Bodies.

### **RECOMMENDATIONS**

2. The Committee is recommended to note:
  - (a) the formal notification from the PSAA confirming the appointment of Grant Thornton as external auditor to the Council for a period of 5 years from 1<sup>st</sup> April 2018;
  - (b) the implications for this Council arising from the recent consultation by the PSAA on the 2018/19 scale of audit fees; and
  - (c) the main findings resulting from the PSAA report on the results of auditors work for 2016/17 in relation to local government bodies.

### **ISSUE**

#### Introduction

#### *Appointment of External Auditor*

3. The Committee has received periodic updates on the arrangements managed by the PSAA for the appointment of auditors to principal local government bodies in England.

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<sup>1</sup> Public Sector Audit Appointments Limited (PSAA) <https://www.psaa.co.uk/about-us/>

4. The most recent report which went to the Executive in September 2017 (as there was no scheduled meeting of this Committee in the required timescale) outlined the notification by the PSAA of their proposal to appoint Grant Thornton (UK) LLP as auditor to the Council for a period of 5 years from 1<sup>st</sup> April 2018.
5. The Executive accepted the proposed appointment and the PSAA were notified accordingly. On the 19<sup>th</sup> December we received an e-mail from the PSAA which formally notified us of the following:

### ***Auditor appointment***

*For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. I wrote to you on 14 August 2017 to consult you on the proposed appointment of Grant Thornton (UK) LLP as the external auditor of Pendle Borough Council from 2018/19.*

*I am writing now following that consultation to confirm the appointment of Grant Thornton (UK) LLP to audit the accounts of Pendle Borough Council for five years, for the accounts from 2018/19 to 2022/23. 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.*

6. The Committee is asked to note the appointment as outlined above.

### ***Consultation by the PSAA on the 2018/19 scale of audit fees***

7. The PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that have opted into the appointing person scheme. In early December the PSAA commenced a consultation on the proposed scale of fees for 2018/19 audits which closed on the 15<sup>th</sup> January 2018. It is expected that the PSAA Board will approve the final 2018/19 scale of fees for publication in March 2018.
8. The proposed scale of fees for 2018/19 reflects the cost of the expected work programme, and is based on the scale of fees applicable for 2017/18 with a reduction of 23 per cent. The PSAA state that the 2017/18 scale of fees represents the most accurate reflection available of the auditor's assessment of audit risk and complexity for each audited body.
9. The proposed 2018/19 scale fee for the audit of Pendle Council is £31,285. The equivalent fee for the 2017/18 audit is £40,630. Proposed fees for all principal local government bodies are available on the PSAA website [here](#).
10. In addition to the scale fee outlined above there will be a separate fee for the 2018/19 Housing Benefit Subsidy grant certification work undertaken by the party commissioned by the Council to carry out this work. For 2017/18, this work will be undertaken by Grant Thornton for which the 'indicative' fee set by the PSAA is £7,986.
11. For 2018/19 the Council has to make its own arrangements for the Housing Benefit certification work as this was excluded from the arrangements led by the PSAA. No action has so far been taken in this respect other than an informal discussion with Grant Thornton with a shared willingness to discuss the matter more fully now that their appointment to the Council has been confirmed. However, the Council is not obliged to award the work to Grant Thornton and could make other arrangements if it felt this was beneficial. Further updates on this aspect will be presented to the Committee in due course.

12. The following extracts have been reproduced from the PSAA website and set out the background and main findings from the above report:

*On Tuesday 19 December Public Sector Audit Appointments published its Report on the results of auditors' work 2016/17: Local government bodies. This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.*

*The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies.*

*Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. **83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.***

*Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.*

*For the fourth year in a row there have been no qualified opinions on the accounts issued to date to principal bodies. The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16.*

*The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.*

13. It is pleasing to report to the Committee that this Council was one of the 83 principal bodies that received an unqualified opinion on their accounts by the end of July 2017 (text shown highlighted in bold above). This is significant as it indicates the Council is well positioned to meet the earlier statutory accounts publication timetable applicable from 2017/18. The latter has been the subject of reports previously to the Committee. A full copy of the PSAA report is available [here](#).

## IMPLICATIONS

### Policy

14. No policy implications arise from this report.

## **Financial**

15. There are no direct financial implications resulting from this report. The draft budget for 2018/19 currently includes a budget of £43,000 for external audit fees and grant certification work. The adequacy of this will not be confirmed until the fee arrangements for 2018/19 have been concluded.

## **Legal**

16. There are no direct legal implications resulting from this report.

## **Risk Management**

17. There are no immediate risk management implications resulting from this report.

## **Health and Safety**

18. There are no health and safety implications arising from the contents of this report.

## **Sustainability**

19. There are no sustainability issues arising from the contents of this report.

## **Community Safety**

20. There are no community safety issues arising from the contents of this report.

## **Equality and Diversity**

21. There are no equality and diversity issues arising from the contents of this report.

## **APPENDICES**

None.

## **LIST OF BACKGROUND PAPERS**

None.