

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 16 November 2021

REPORT

SUBJECT: Audit Fees 2019/20 Update

REPORT AUTHOR: Stephen Pearse, Internal Audit Manager

DATE: October 2021

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

Each year the Council is advised of the anticipated external audit fees set by the designated appointing body.

At its meetings of February and July 2021 the Committee was advised of a significant fee increase notified to the Council by its external auditors. The increase would need to be agreed by the commissioning body – Public Sector Audit Appointments Ltd (PSAA) and members requested that letters be sent to PSAA to express the concerns of the Committee.

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note the correspondence from PSAA updating the Council on the outcome of its review of the fee variation proposal.

1. BACKGROUND:

The Council has opted-in to the national arrangements for the appointment of its external auditors. This is undertaken by Public Sector Audit Appointments Ltd (PSAA), established by the Local Government Association (LGA) and the current contracted arrangement covers the period up to the audit of the 2022/23 Accounts.

PSAA is responsible for setting scales of fees for the audit of accounts of relevant authorities, reflecting the size, risk and complexity of the audit, and for considering applications from the appointed auditors for increases in fees in respect of additional work undertaken.

At its February meeting, the Committee received the Annual Audit Letter for the year ended 31 March 2020 from Ernst & Young LLP (E&Y), its appointed auditors. In the Audit Fees section of the report, E&Y advised that they had applied to PSAA for a

significant increase in fees for the work undertaken on the 2019/20 Accounts which, if accepted by PSAA, would increase the scale fee set by PSAA in future years.

The Council has now received a response from PSAA that the review of the fee variation proposal has been completed and that a variation of £14456 has been assessed as appropriate (a reduction of £18022 against the auditor's proposal of £32477).

Through PSAA, the Council has also been advised that it has been allocated £22666 of Government funding which is "intended to support affected local bodies to meet the anticipated rise in fees for 2020/21 audits, driven by new requirements on auditors, including the National Audit Office's Code of Audit Practice 2020, and to enable local authorities to develop standardised statements of service information and costs."

At the July meeting, the Committee was also presented with the Audit Plan for the review of the 2020/21 Accounts by the external auditors, which advised that the audit would be delayed and would commence in November 2021. Members were advised that this meant the audited accounts could not be published to meet the regulatory deadline of 30 September 2021. Based on this, the Committee requested that a further letter be sent to PSAA by the Chair - a copy of the letter sent is included for noting by the Committee.

The response from PSAA advised that they are aware of market issues that have affected the availability of auditors able to undertake local audits which has caused delays to the completion of audits for a number of authorities and share our disappointment in the delay to the start of the audit of Arun's 2020/21 Accounts. (As was advised to the Committee as part of the officer report in July, the Government and relevant sector bodies are considering the recommendations of the independent Redmond Review which is likely to alter the scope and requirements of future audits of local authorities, together with the fees and fee-setting process).

PSAA further advised that where the audited accounts of a local authority cannot be published by the date as set in the Accounts & Audit Regulations (currently 30 September) then the authority should publish a notice stating that it does not have audited accounts and the reasons why, in order to comply with statutory requirements. This was also confirmed by Ernst & Young and an appropriate notice has been published on the Council's website with the unaudited draft Accounts.

3. OPTIONS:

To note the correspondence with PSAA in respect of the 2019/20 audit fees (and the delay in the 2020/21 audit) as requested by members of the Committee at its July 2021 meeting

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓

Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS: Audit fees are expected to increase for the remaining years of the current contract		

7. REASON FOR THE DECISION: Correspondence with PSAA Ltd as requested at previous meetings of the Committee is presented for information and noting by members.

8. BACKGROUND PAPERS: Audit & Governance Committee agenda items from July 2021:- Arun District Council 29 July 2021, Minute 204
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