

Report to: **Audit Committee**  
Date: **23<sup>rd</sup> July 2020**  
Title: **External Audit provision**  
Portfolio Area: **External Audit – Cllr J Pearce**  
  
Wards Affected: **ALL**  
  
Urgent Decision: **N** Approval and clearance obtained: **Y**  
  
Date next steps can be taken: **N/A**

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**Recommendations:**

**That the Audit Committee note the contents of the report on the provision of External Audit.**

**1. Executive summary**

- 1.1 At the Audit Committee meeting in June 2020, Members requested that a report be presented to the next Audit Committee on the external audit arrangements and the background of the Public Sector Audit Appointments (PSAA).

## 2. Background

2.1 The Grant Thornton External Audit Plan was presented to Council on 30<sup>th</sup> April 2020. An extract of the Audit Fees section of the report is below. In 2018/19, in addition to the core fees, a further £4,500 was charged in additional audit fees for assessing the impact of the McCloud ruling (pensions), additional pension work on IAS19 and extra work on Property Plant and Equipment valuations.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£43,404	£37,821	£40,271

### Assumptions:

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

2.2 As detailed above, the proposed fee for 2019/20 is £40,271. The new scale audit fees for 2019/20 have been agreed by PSAA. Further details on PSAA are set out in Section 4.

## 3. Opting into the PSAA Audit arrangements

3.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 required Authorities to either opt in to the appointing person regime (PSAA) or to establish an auditor panel and conduct their own procurement exercise.

- 3.2 At the Audit Committee meeting on 12<sup>th</sup> January 2017, the Council recommended to opt into the appointing person arrangements made by the PSAA for the appointment of external auditors (Minute A.27/16). The report set out that it was likely that a sector wide procurement conducted by PSAA would produce better outcomes for the Council than any procurement the Council undertook with a limited number of suppliers. Use of the PSAA would also be less resource intensive than establishing an auditor panel and conducting the Councils' own procurement (with West Devon).
- 3.3 The majority of Councils also opted into the PSAA audit arrangements. Nationally a total of seven bodies did not opt into the PSAA arrangements being two Essex police bodies, City of London, Cornwall, Isles of Scilly, East Hampshire, Newcastle, North Tyneside and Northumberland.
- 3.4 Appointments were for a five year period from 2018/19. The appointment started on 1 April 2018. The Council was notified by PSAA that Grant Thornton were the successful tenderer and were awarded the South Hams contract for external audit arrangements for five years.

#### **4. The Board of PSAA**

- 4.1 PSAA has a Board of Non-Executive Directors supported by a Chief Executive and five members of staff. The Non-Executive Director who is to act as Chairman of the Board is appointed by the IDeA. The other Non- Executive Directors are appointed by the Chairman with the approval of the IDeA. The primary duty of the Board is to discharge the statutory objects and powers set out in its Articles of Association in accordance with the Companies Act 2006 and the company's founding documents. The Board is responsible for:
1. establishing and taking forward the statutory functions and objectives of PSAA consistent with its overall strategic direction;
  2. ensuring that PSAA operates within the limits of its statutory authority and in accordance with any other conditions relating to the use of public funds, primarily the principles of **Managing Public Money**;
  3. ensuring compliance with any statutory or administrative requirements for the use of public funds (including those within the principles of **Managing Public Money**);
  4. ensuring that it receives and reviews regular financial information concerning the management of PSAA, and is informed in a timely manner about any concerns about the activities of PSAA;
  5. approving the annual accounts and governance statement;
  6. demonstrating high standards of corporate governance and independence at all times;
  7. taking a balanced view of the company's approach to managing opportunity and risk; and

8. imposing no more than proportionate and defensible burdens on audit firms.
- 4.2 There are five Board members of PSAA and their details are shown in the link below:-  
<https://www.psaa.co.uk/about-us/who-we-are/board-members/>
- 4.3 The Chairman of the Board Members is Steve Freer who was the Chief Executive of CIPFA (2000 – 2013) Chartered Institute of Public Finance and Accountancy. The Other Board Members are as follows:-
- Caroline Gardner – Auditor General for Scotland (accountable officer for Audit Scotland)
  - Dr. Clive Grace OBE – Director General of the Audit Commission in Wales
  - Councillor Keith House – Cllr House was first elected to Eastleigh Borough Council in 1991 and has been Leader of the Liberal Democrat led Council since 1994 (also a County Councillor for Hampshire County Council)
  - Stephen Sellers – Mr Sellers is a solicitor and a part-time consultant with Gowling WLG (UK) LLP.

## **5. Options available and Consideration of Risk**

- 5.1 The audit arrangements which the Council has opted into are for a five year period from 2018/19 with Grant Thornton.

## **6. Proposed Way Forward**

- 6.1 It is proposed for Members to note the contents of the report.

## 7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	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. South Hams chose to opt into these arrangements under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.
Financial implications to include reference to value for money	Y	The external audit fees are set out in 2.1 of the report. The external auditors, Grant Thornton, give an annual opinion on the Council's value for money arrangements.
Risk	Y	There are no new risks from continuing with the current arrangements.
Supporting Corporate Strategy		The external audit process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

### Background Papers

Audit Committee – 12 January 2017 – Appointment of External Auditor