



## AGENDA NO: 10

### INDEPENDENT AUDIT COMMITTEE - 17 July 2018

#### Report Title – FEES FOR EXTERNAL AUDIT 2018/19

#### REPORT BY ALEXIS GARLICK (on behalf of 4x s151 Officers)

#### PURPOSE OF THE REPORT

*The purpose of this report is to notify the Audit Committee of the external audit fees for 2018/19.*

#### 1. INTRODUCTION

- 1.1 The duty to prescribe scales of fees is a statutory function delegated to Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.
- 1.2 The scale fees for individual audited bodies are normally based on the scale fee for the previous year, reflecting the auditor's assessment of audit risk and complexity. Variations from the scale fees are only expected to occur where these factors are significantly different from those identified and reflected in the fee for the previous year.
- 1.3 PSAA can approve proposed variations to the scale fee for an individual audited body, to reflect changes in circumstances. They obtain updated fee information from appointed auditors, and explanations for any proposed variations from the scale fee, on a regular basis. They consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.
- 1.4 Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

#### 2. FEES FOR 2018-19

- 2.1 PSAA set the 2018/19 fee scale following consultation. Scale audit fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body.

Freedom of Information Classification – Open

- 2.2 The fee reduction does not mean there will be a change in the scope, volume or quality of audit work required. Auditors must undertake sufficient work to comply with the requirements of the Code of Audit Practice and relevant professional standards, and to enable them to discharge their statutory responsibilities under the Local Audit and Accountability Act 2014 and their contractual obligations to PSAA.
- 2.3 2018/19 fees have been set on the basis of no changes to the overall work programme required by the Code of Audit Practice published by the National Audit Office. However, the consultation did highlight expected changes to financial reporting requirements after 2018/19 and the new Code of Audit Practice that will apply from 2020/21, both of which could have an impact on the fee scale for future years of the appointing period.
- 2.4 PSAA will be consulting on the 2019/20 fee scale in autumn 2018.

**3. FEES FOR 2018-19**

- 3.1 The Auditors for 2018/19 will be Grant Thornton UK LLP and the Engagement Lead is Alex Walling. The planned audit fees for 2018/19 are:

<b>Police area</b>	<b>2018/19 scale fee for police and crime commissioner</b>	<b>2018/19 scale fee for chief constable</b>	<b>Total 2018/19 scale fee</b>
Devon & Cornwall	£27,992	£14,438	£42,430
Dorset	£22,554	£11,550	£34,104

- 3.2 The individual letters for each of the four corporation soles are appended. These describe the scope of the work to be performed and the timescales. The scale fee covers:
- The audit of the financial statements
  - The auditor's work to reach a conclusion on the economy, efficiency and effectiveness in use of resources (the value for money conclusion); and
  - The auditor's work on the whole of government accounts return.

**4. RECOMMENDATIONS**

- 4.1 Members are asked to note the report and to consider any points they would like officers to raise with the new Auditors or the PSAA.

**Appendices**

- a (i) Planned Audit Fee 2018/19 Devon & Cornwall PCC
- a (ii) Planned Audit Fee 2018/19 Devon & Cornwall CC
- b (i) Planned Audit Fee 2018/19 Dorset PCC
- b (ii) Planned Audit Fee 2018/19 Dorset CC

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