



Name of meeting: Corporate Governance and Audit Committee
Date: 11th May 2018
Title of report: Planned Audit Fee 2018-19

Purpose of the report

The report updates Members on the Planned Audit Fee for 2018-19 for final accounts work, and arrangements for the audit of external grant claims and returns from 2018-19 onwards.

| | |
|---|---|
| Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | No |
| Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?) | No |
| The Decision - Is it eligible for call in by Scrutiny? | No |
| Date signed off by Strategic Director & name | Rachel Spencer-Henshall, 02 May 2018 |
| Is it also signed off by the Acting Service Director for Finance, IT and Transactional Services? | Eamonn Croston, Interim Section 151 Officer 30 April 2018 |
| Is it also signed off by the Service Director for Governance and Commissioning Support? | Karl Larrad - 02 May 2018 |
| Cabinet member portfolio | Cllr Graham Turner Cllr Musarrat Khan |

Electoral wards affected: Not applicable
Ward councillors consulted: Not applicable
Public or Private: **Public**

1. Summary

1.1 At its meeting on 27th January 2017 this Committee agreed that the Council be recommended to ask Public Sector Audit Appointments Ltd to carry out Auditor Panel duties on behalf of the Council and nominate a proposed External Auditor to the

Council in due course, from 2018-19 onwards. The council agreed with this action at its meeting on 15th February 2017.

- 1.2 Public Sector Audit Appointments Ltd (PSSA) subsequently carried out their tendering exercise, and notified the Council that they wished to formally consult on their proposal to appoint Grant Thornton (UK) LLP to audit the accounts of Kirklees Metropolitan Council for five years from 2018/19. The appointment will start on 1 April 2018.
- 1.3 The attached Grant Thornton letter at Appendix A sets out the planned audit work for 2018-19 and the prescribed fee for this work, at £122,221. The fee for 2018-19 is about 23% less than the 2017-18 equivalent prescribed fee of £158,729.
- 1.4 Councils are also required to appoint a reporting accountant to undertake any required assurance work on external grant claims and returns. The most significant of these relates to the housing subsidy grant claim, which accounts for annual subsidy payments of about £115m. KPMG currently undertake the Council's external grant audit. The Department of Works and Pensions (DWP) has set a deadline of no later than 2 July 2018 for Councils to inform them of their reporting accountant appointment for the housing subsidy grant claim audit for 2018-19.
- 1.5 Any breach of this deadline may result in DWP withholding in-year subsidy payments otherwise due to the Council. This will not impact on individual housing benefit payments to eligible claimants, but may impact on the Council's treasury management cashflow forecasts from budgeted.
- 1.6 It is intended that Council officers will review current grant claim arrangements, and appoint in accordance with the Council's Contract Procedure Rules a reporting accountant for external grant claims and returns for 2018-19, no later than 2 July 2018.

2. Information required to take a decision

- 2.1 The Local Audit & Accountability Act 2014 provides the framework for local public audit.
- 2.2 Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015. This includes responsibility for setting fees, appointing auditors and monitoring the quality of auditor's work.
- 2.3 The PSAA appointed auditor for Kirklees Council, from 2018-19, for a five year period, is Grant Thornton. The planned audit fee for 2018-19 is £122,221. The planned audit work, billing schedule and outline audit timetable is set out in the attached auditor letter, at Appendix A.
- 2.4 The PSAA prescribed audit fee for 2018-19 is £122,221 and represents a 23%

reduction from the equivalent scale fee in 2017-18 of £158,729.

- 2.5 The audit fee is set on the expectation that the Council is able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
- 2.6 The planned audit work for 2018-19 covers the audit of the Council's financial statements, work on the Value For Money conclusion, and work on the whole of government accounts return. The scope of the overall work programme for the audit for 2018-19 is unchanged from 2017-18.
- 2.7 Following the abolition of the Audit Commisison, PSAA has delegated powers to make external accountant appointments for assurance on the housing subsidy grant claim, and to prescribe fees for this work. These transitional arrangements cease after March 2018. KPMG has previously undertaken these audits in addition to final accounts audit work.
- 2.8 The Council will need to appoint its own external accountant for assurance work on the housing subsidy grant claim from 2018-19 onwards. The PSAA prescribed fee for this grant work for comparison, is in the region of £37k.
- 2.9 In addition, there are other current grants and returns also requiring audit assurance. These include the Teachers' Pensions return, Pooling of Housing Capital Receipts return, NCTL Initial Teacher Training return and Skills Funding Agency sub-contracting arrangements. These audits are subject to direct agreement between the reporting accountant, the relevant grant bodies/government departments, and the Council. KPMG currently undertake this work, and the estimated annual fee for this combined grant work is about £14,500.
- 2.10 The Department of Works & Pensions (DWP) has set a deadline of 2 July 2018 for Councils to inform them of their reporting accountant for the housing subsidy grant work for 2018-19. Any delay may result in the DWP withholding payments due to the Council in-year. Payment delays would not impact on individual payments due to eligible housing benefit claimants. However, it would impact on the Council's cashflow management forecasts from budgeted, and the Council could incur additional interest costs e.g. one month's payment delay may incur about £5k additional treasury management interest costs. Any subsequent monthly payment delay would add a further £5k cost for each extra month's delay i.e. £10k month 2, £15k month 3 etc.
- 2.11 The reporting accountant for housing benefit subsidy grant claims must be an independent company or concern appointed by the local authority who can carry out the audit of local government and health bodies; under Section 1239 of the Companies Act 2006, as applied in relation to local audits by Section 18 of Schedule 5 to the Local Audit and Accountability Act 2014 (as amended). The reporting accountant must also be on the register of licensed auditors for this purpose.
- 2.12 The register of licensed auditors is maintained by the Institute of Chartered Accountants in England and Wales (ICAEW). The register mainly consists of the

largest external audit firms with national reach, including Grant Thornton and KPMG. The full register can be found at:

[Local Auditor Register | ICAEW](#)

- 2.13 It is intended that Council officers review Council grant claim assurance requirements for 2018-19 and appoint a reporting accountant to cover all the required grant assurance work in 2018-19; initially to ensure the Council achieves the DWP deadline of 2 July 2018. The length of contract for any such appointment is a matter for the Council and initial consideration will be for one year. The above will be undertaken in accordance with the relevant Council contract procedure rules.

3 Implications for the Council

The planned audit work for 2018-19 provides an independent opinion on the proper stewardship of public funds, and that adequate arrangements are in place to ensure that resources are deployed economically, efficiently, and effectively in the year (Value For Money). This work ultimately supports the delivery of the following Council objectives and priorities :

- 3.1 Early Intervention and Prevention (EIP)
- 3.2 Economic Resilience (ER)
- 3.3 Improving Outcomes for Children
- 3.4 Reducing demand of services

The responsibility for approving the Statement of Accounts and any accompanying documentation is delegated to this Committee.

4 Consultees and their opinions

None

5 Next steps

The planned audit work for 2018-19 will be implemented in accordance with the timeline set out in the Grant Thornton letter attached at Appendix A, in order to meet statutory final accounts certification deadlines.

Officers will appoint a reporting accountant to deliver the required grant assurance work for 2018-19, and no later than 2 July, to meet the DWP deadline.

6 Officer recommendations and reasons

Corporate Governance and Audit Committee are asked to :

- (i) note the appointment of Grant Thornton UK LLP as the Council's auditor for 5 years from 1 April 2018 ,their planned audit fee, work programme and timetable for 2018-19 (Appendix A); and

- (ii) agree to the approach set out in this report for officers in accordance with the Council's Contract Procedure Rules to appoint a reporting accountant to undertake relevant external grant and reporting requirements for 2018-19, no later than 2 July 2018.
- (iii) The reasons for the recommendations are to comply with the Local Audit (Appointing Person) Regulations 2015 ; and to ensure value for money .

7 Contact officer

Eamonn Croston Head of Finance & Accountancy 01484 221000

8 Background Papers and History of Decisions

Grant Thornton letter dated 24th April 2018 to Jacui Gedman re: planned audit fee for 2018/19

9 Service Director responsible

Eamonn Croston 01484 221000

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24 April 2018

Dear Jacqui

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted-in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £122,221.

PSAA prescribes that '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'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place. The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

| Main Audit fee | £ |
|-----------------------|----------------|
| September 2018 | 30,555 |
| December 2018 | 30,555 |
| March 2019 | 30,555 |
| June 2019 | 30,556 |
| Total | 122,221 |

Outline audit timetable

We will commence our audit planning in October 2018 and undertake our interim visit in November 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed between January and July and work on the whole of government accounts return in June and July.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|-------------------------------|----------------|---|
| Audit planning and interim audit | October 2018 and January 2019 | Audit plan | The Plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM. |

| | | | |
|------------------------------|----------------------|--|--|
| Final accounts audit | June and July 2019 | Audit Findings (Report to those charged with governance) | This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance. |
| VfM conclusion | January to July 2019 | Audit Findings (Report to those charged with governance) | As above |
| Whole of government accounts | June and July 2019 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | July 2019 | Annual audit letter to the Council | The letter will summarise the findings of all aspects of our work. |

Our team

The key members of the audit team for 2018/19 are:

| | Name | Phone Number | E-mail |
|--------------------|------------------|---------------|------------------------------|
| Engagement Lead | Robin Baker | 0161 214 6399 | robin.j.baker@uk.gt.com |
| Engagement Manager | Marianne Dixon | 0113 200 2699 | marianne.dixon@uk.gt.com |
| Assistant Manager | Richard Anderson | 0141 223 0753 | richard.j.anderson@uk.gt.com |

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via sarah.howard@uk.gt.com.

Yours sincerely

Robin Baker
Engagement Lead
For Grant Thornton UK LLP