



AGENDA NO: 10

INDEPENDENT AUDIT COMMITTEE - 23 July 2019

FEES FOR EXTERNAL AUDIT 2019/20

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 2019/20.

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 2019-20

- 2.1 PSAA set the 2019/20 fee scale following consultation. Consultation responses broadly welcomed the proposals to maintain scale fees for 2019/20 at the same level as 2018/19 and if possible to maintain fee stability during the appointing period. Responses raised a number of issues about the level of fees, for example about the possible impact of lower fees on quality. The PSAA Board has considered these points very carefully and in a number of cases agreed to undertake further analysis and research to develop a fuller

understanding of the issues raised and to enable consideration of potential options to respond to them.

- 2.2 Last year (2018/19) scale audit fees for all opted-in bodies were reduced by 23 per cent from the fees applicable for 2017/18. PSAA has set the 2019/20 fee scale on the basis that individual scale audit fees for opted-in bodies are maintained at the same level as 2018/19 unless there are specific circumstances which require otherwise. This continues to give 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. It also passes on the benefit of economies which PSAA has made in its own operating costs.
- 2.3 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.
- 2.4 2019/20 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 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.
- 2.5 PSAA will be consulting on the 2020/21 fee scale in autumn 2019.

3. FEES FOR 2019-20

- 3.1 The Auditors for 2019/20 will be Grant Thornton UK LLP and the Engagement Lead is Alex Walling. The planned audit fees for 2019/20 are:

Police area	2019/20 scale fee for Police and Crime Commissioner	2019/20 scale fee for Chief Constable	Total 2019/20 scale fee
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 (where relevant).

4. RECOMMENDATIONS

- 4.1 Members are asked to note the report and to raise any points with the External Auditors at the meeting.

Appendices

- a (i) Planned Audit Fee 2019/20 Devon & Cornwall PCC
- a (ii) Planned Audit Fee 2019/20 Devon & Cornwall CC
- b (i) Planned Audit Fee 2019/20 Dorset PCC
- b (ii) Planned Audit Fee 2019/20 Dorset CC

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