

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	23 March 2023
Subject:	External Audit Update
Report of:	Head of Finance and Asset Management
Head of Service/Director:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	None

Executive Summary:

As an 'opted-in body' the fee scale for the 2022/23 audit of accounts for Tewkesbury Borough Council is set by Public Sector Audit Appointments (PSAA). The fee level has been increased by £3,876 to reflect the additional work required by auditors. This report updates the Audit and Governance Committee on the agreed fee and details the outcome of the procurement of audit contracts in 2022 and the appointment of Bishop Fleming as our auditor.

Recommendation:

To CONSIDER:

- 1. The fee scale of £41,465 for the 2022/23 audit; and**
- 2. The appointment of Bishop Fleming as the auditor of Tewkesbury Borough Council for five years from 2023/24.**

Financial Implications:

The scale fee for 2022/23 is £41,465 and has been included within the authority's base budget. Scale fees are likely to increase substantially in future years.

Legal Implications:

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year.

Environmental and Sustainability Implications:

None

Resource Implications (including impact on equalities):

None

Safeguarding Implications:

None

Impact on the Customer:

None

1.0 INTRODUCTION/BACKGROUND

- 1.1** In January 2017, under the Local Audit and Accountability Act 2014 (the Act), Council decided to opt-in to a Sector Led Body (SLB) appointed by the Secretary of State to lead the appointment of external auditors and manage the audit contracts from 1 April 2019. The SLB appointed was Public Sector Audit Appointments (PSAA).
- 1.2** As part of its role, PSAA has agreed with the audit firms to inform individual organisations of its forthcoming audit fee, rather than requiring the audit firms to separately communicate this. This report effectively replaces the communication previously received from Grant Thornton.
- 1.3** In January 2022, the Council accepted the PSAA invitation to 'opt-in' to the sector-led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023.

2.0 FEE SCALE FOR THE AUDIT 2022/23

- 2.1** PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year. After a delay, consultation with Councils was undertaken in August 2022 with the confirmed fees being published on the PSAA website at the end of November 2022.
- 2.2** The fee scale set for 2022/23 is an increase of £3,876 against the fee set for 2021/22 and reflects the additional work now required to validate valuations in two areas and the increasing requirements of the Financial Reporting Council. The increased fee is shown in the table below.

Scale fee 2021/22	£37,589
Accounts Group	£0
Accounts Pension valuation	£688
Accounts Public Interest Entity	£0
Accounts Property Plant Equipment valuation	£688
Increased FRC challenge	£2,500
Total recurring element	£3,876
Scale fee 2022/23	£41,465

- 2.3** In addition to the fee variations now included within the scale fee, the fee is increased by a 5.2% inflationary increase required under PSAA's current audit contracts, although this will be funded from the PSAA surplus which would otherwise be distributed to opted-in bodies. There is, therefore, no additional cost payable by the Borough Council for this element.
- 2.4** It is important to note that whilst the main scale fee is set, audit firms have the opportunity to agree with PSAA variations to the fee to reflect additional work that may be undertaken as a result of regulatory change or changes in the audit environment.
- 2.5** The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022, which was very challenging due to the current complexities and fragility of the local audit market. In announcing the procurement outcome, PSAA advised of the likelihood of a major re-set of total fees for 2023/24, involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required, which is still to be established. PSAA will consult on the fee scale for the 2023/24 audit in early autumn 2023.

3.0 APPOINTMENT OF AUDITOR

- 3.1** Following consideration by the Audit and Governance Committee, the Council accepted the invitation to opt-in to the national procurement of audit contracts led by PSAA as did 470 other eligible bodies. The Council's position was communicated to PSAA and the procurement ran through the summer of 2022. Confirmation of the outcome of the procurement was received in December 2022.
- 3.2** The procurement of audit contracts for 2023/24 – 2027/28 has resulted in a change of external auditor for Tewkesbury Borough Council. Bishop Fleming was successful in winning a small lot of the contracts on offer and has been appointed as our auditor for the period. It has also been appointed to the other districts in Gloucestershire and many of the public sector organisations in the South West.
- 3.3** Bishop Fleming is a top 30 UK accountancy firm providing audit, accountancy, tax and business consultancy services to both the public and private sectors. Bishop Fleming has extensive experience working with public sector organisations in the housing, education, charity and healthcare sectors along with a number of local authority subsidiaries. Its public sector audit team is led by two ICAEW registered key audit partners, both having previous experience of providing external audit services to local authorities. Bishop Fleming has 37 partners and around 500 staff working from seven offices across the South West and West Midlands, who are committed to delivering the very best client experience.

4.0 CONSULTATION

- 4.1** None.

5.0 ASSOCIATED RISKS

- 5.1** None

6.0 MONITORING

- 6.1** None

7.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

7.1 None

Background Papers: Appointment of External Auditor - Council 25th January 2022

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Appendices: None