

**Report to:** Governance and Audit Committee

**Date:** 18 March 2021

**Subject:** External audit progress report

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## 1. Purpose of this report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

## 2. Information

### Annual Accounts 2020/21

- 2.1 The interim external audit work has commenced for the 2020/21 annual accounts. The work is progressing well, with nothing substantial to report at this stage.

### Public Sector Audit Appointments Limited (PSAA)

#### 2020/21 External Audit

- 2.2 The PSAA has consulted recently on changes to fee variations arrangements, with proposals for introducing a new approach for national variations where changes in audit requirements relate to the conduct of all or most audits and where a standard cost can reasonably be estimated across groupings of bodies. The consultation also set out a proposed increase in the fee rates for additional work.
- 2.3 As a result and nationally:
- a programme of research is under way to consider the likely impact on audit work and fees of some expected changes in audit requirements.;
  - the new approach to national variations will apply for the first time in relation to audits of 2020/21 financial statements and value for money arrangements; and

- all variations - both national and local - arising in relation to audits of 2020/21 financial statements and value for money arrangements will be calculated in accordance with a new rate card reflecting increased hourly rates for different categories of audit staff.
- 2.4 For the Combined Authority and the 2020/21 external audit, no fee variations are currently being proposed, as there were no fee variations for 2018/19 audit work and this is what forms the basis for the assessment for 2020/21. Therefore, the standard fee has been set at £25,694 (as in previous years). However, it is understood through discussions with the auditors that a fee variation in relation to the new Code of Audit Practice / VFM arrangements approach is likely for 2020/21.
- 2.5 Members are reminded that a fee variation of £3,000 is currently under consideration by the PSAA for the additional work required on the 2019/20 annual accounts and this may impact future standard audit fees.

#### Audit Strategy Memorandum (Audit Plan) for 2020/21

- 2.6 This is attached at **Appendix 2** and Mark Dalton, Engagement Lead for Mazars, will be at the meeting to present the plan and discuss further with Members. It sets out the approach to the audit for the 2020/21 year end, highlighting the scope of their work and the significant risks and key judgement areas.

#### 2021/22 Audit Fees (early notification)

- 2.7 The PSAA is currently consulting on the fee scale for 2021/22 audits of opted-in bodies. Until the conclusion of the consultation and consideration of the additional fees in 2019/20, the PSAA are proposing the standard fee for the Combined Authority remains at the same level, ie £25,694. It should be noted that the change to the functions, powers and budget of the Combined Authority following the devolution deal may necessitate a review of the audit fee for 2021/22.
- 2.8 For information, the Combined Authority did respond to the PSAA consultation which had a deadline of 19<sup>th</sup> February 2021. A summary of the proposal and response is attached at Appendix 1. Members will be kept informed at a future meeting on the conclusions from the consultation.

### **3. Financial Implications**

- 3.1 As set out in the report.

### **4. Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

### **5. Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Committee consider the information provided on external audit matters.

**8. Background Documents**

None.

**9. Appendices**

Appendix 1 – PSAA Audit Fee Consultation and WY Combined Authority response.

Appendix 2 – Audit Strategy Memorandum (Audit Plan) for 2020/21