

Medway Council
Meeting of Audit Committee
Thursday, 11 November 2021
7.00pm to 7.20pm

Record of the meeting

Subject to approval as an accurate record at the next meeting of this committee

Present: Councillors: Browne, Gulvin, Osborne, Tejan and Thorne
(Chairman)

In Attendance: Wayne Hemingway, Head of Democratic Services
James Larkin, Head of Audit and Counter Fraud
Phil Watts, Chief Finance Officer

444 Election of Chairman

Decision:

Councillor Thorne was elected as Chairman for the remainder of the 2021/22 municipal year.

445 Apologies for absence

There were none.

446 Record of meeting

The record of the meeting held on 23 September 2021 was agreed by the Committee and signed by the Chairman as a correct record.

447 Urgent matters by reason of special circumstances

There were none.

448 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

Other significant interests (OSIs)

There were none.

Other interests

There were none.

449 Appointment of External Auditor

Discussion:

This report provided details of the options for the Council to appoint an external auditor for the 2023/24 financial year onwards, following the end of the current contract arrangement with Grant Thornton.

The Chief Finance Officer highlighted a number of matters set out in the report, noting that the Council had initially agreed to enter into arrangements made by Public Sector Auditor Appointments (PSAA) for the appointment of external auditors. Subsequently, Grant Thornton was appointed as the Council's auditor for five years from 1 April 2018. The audit of the 2022/23 accounts (which would take place during the 2023/24 financial year) would be the last under the current contract arrangement. He informed the Committee that he expected 99% of Local Authorities to go down this route (sector led body) again for the next contract.

Members then raised a number of questions and comments which included:

Other options – in response to a question regarding whether there would be a material difference by following an alternative option, the Chief Finance Officer explained that the report set out the advantages and disadvantages of the alternative options, and that in his view, there was no advantage to be gained by pursuing an alternative option.

Increases in external audit fees – in response to a question regarding the likelihood and level of increases in fees, the Chief Finance Officer stated that it was widely publicised that the fees which had been agreed by the PSAA had been insufficient owing to a number of factors including changes to accounting regulations and an increased burden of scrutiny on the auditor industry. In terms of fees, PSAA had set the fees for Medway Council just under £110,000 for the 2018/19 audit, whilst the eventual sum was £120,000. He advised the Committee that the Council was still in negotiations for the 2019/20 and 2020/21 audits. The PSAA recognised this burden and had recommended that fees should increase in the region of 40% for the new contracts. There had been government grants to take account of this burden, therefore, the increases should not have an impact on the Council's revenue budgets.

Members expressed some concern regarding the increase in audit fees.

Grant Thornton – consultancy advice – in response to a question, the Chief Finance Officer advised the Committee that, as far as he was aware, Grant Thornton were not currently undertaking any consultancy work for the Council but in any such circumstances, consultancy services would be provided by a

Audit Committee, 11 November 2021

completely separate arm of the company, therefore, there should not be any conflict of interest.

Role of the Council in the process – in response to a question regarding whether the Council had the ability to take part and/or influence the process to ensure value for money and to ensure that it was not necessary to have to re-negotiate fees again, the Chief Finance Officer advised that the Local Authority sector had had a number of conversations with PSAA to express concern regarding PSAA's lack of contract management, particularly given that Local Authorities had been left to negotiate the uplifts with auditors separately leading to inconsistencies and variations in fees. The Chief Finance Officer referred to Unitary Treasurers and Kent Finance Officers meetings where the PSAA had attended and had outlined their plans going forward with particular reference to contract management. He considered that the PSAA had accepted there were shortcomings in the current process.

Local employment – in response to a question on whether a requirement to support the use of local employment/apprentices could be included as part of the procurement process, the Chief Finance Officer explained that there were a small number of companies in what was a specialist market (auditing local authority accounts).

Costs – in response to a comment relating to the lack of information on costs in the report, the Chief Finance Officer stated that whilst he had referred to costs in the meeting, he acknowledged that the report should have included this information. He reiterated that Government grants would cover the uplift in fees.

Other local authorities – in response to a question, the Chief Finance Officer expected 99% of local authorities to opt into the sector led body (PSAA).

Decision:

- a) The Committee noted the future implications for external audit procurement arrangements.
- b) The Committee recommended to Council to adopt option 3 (opt into a sector led body), as set out in section 3 of the report.

Chairman

Date:

Wayne Hemingway, Head of Democratic Services

Telephone: 01634 332509

Email: democratic.services@medway.gov.uk

Audit Committee, 11 November 2021