

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee
Date: 12 September 2017
Reporting officer: Assistant Director (Corporate Services)
Subject: External Auditor Appointment Update

Purpose and summary of report:

To update Members on progress in the appointment of a local auditor, effective for the audit of the accounts for 2018/19.

Recommendations:

1. The Finance & Audit Committee is asked to endorse the appointment by PSAA of Grant Thornton (UK) LLP as the auditor for Gravesham Borough Council for a five year period from 1 April 2018.

1. Background

- 1.1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established new arrangements for local auditor appointments, applicable to audits of the accounts of principal local government bodies from 2018/19 onwards.
- 1.2. In July 2016 Public Sector Audit Appointments (PSAA) was selected by the Secretary of State for Communities and Local Government to take on the role of Appointing Person for principal local government and police bodies. After consideration by the Finance & Audit Committee Members, on 6 December 2016 Full Council resolved unanimously to accept the invitation to opt into the appointing persons arrangements made by PSAA for the appointment of external auditors.

2. Local auditor appointment process

- 2.1. A total of 484 bodies (98% of eligible bodies) opted in to the sector-led approach offered by PSAA.
- 2.2. Between February and June 2017 PSAA managed a tender process to procure audit services from the registered audit firms, with the total volume of audit work divided into six contract lots, with the size of the lots graduated to incentivise competitive bids. The procurement process has been hailed as highly successful, delivering an expected reduction of approximately 18% in the scale fees payable by local bodies.

- 2.3. The successful contractors, together with their estimated lot values, are listed below for information:
- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
 - Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
 - Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
 - Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
 - Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
 - Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.
- 2.4. On 15 August 2017 the council received communication from PSAA of the intention to appoint Grant Thornton (UK) LLP (the council's current external audit provider) as the auditor of Gravesham Borough Council. The communication is attached at Appendix Two for information.
- 2.5. Members are asked to consider and endorse the appointment of Grant Thornton (UK) LLP as the council's auditor for five years from 1 April 2018.
- 2.6. The council do have the opportunity to make representations to PSAA on the proposed appointment. The following may represent acceptable reasons:
- there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
 - there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
 - there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.
- 2.7. There are considered to be no reasons for the council to make representations on the appointment. It is therefore intended for the council to accept the appointment of Grant Thornton (UK) LLP ahead of the deadline of 5pm on Friday 22 September 2017.

3. BACKGROUND PAPERS

- 3.1. Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS

APPENDIX 1

<p>Legal</p>	<p>Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.</p> <p>Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body (PSAA) to become the appointing person.</p>
<p>Finance and Value for Money</p>	<p>Current external audit fees levels are expected to reduce by around 18% when the current contracts end in 2018. Planned audit fees for 2016/17 have been set as £53,294 in relation to the audit of the accounts; an 18% reduction would represent an annual saving to the council of just under £9,600.</p>
<p>Risk Assessment</p>	<p>The council had adopted a sector-led approach which is intended to achieve successful transition to the new arrangement in a timely and efficient manner.</p>
<p>Equality Impact Assessment</p>	<p>Screening for Equality Impacts</p> <p>Question</p> <p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<p>Corporate Plan</p>	<p>There are no direct implications for the Council’s strategic priorities.</p> <p>The appointment of an External Auditor is a statutory requirement of the Council and as such contributes towards Strategic Objective 4 - Sound & self-sufficient council.</p>
<p>Crime and Disorder</p>	<p>N/A</p>
<p>Digital and website</p>	<p>N/A</p>

implications	
Safeguarding children and vulnerable adults	N/A