

Report to:	Audit and Standards Committee
Date:	16 January 2023
Title:	Appointment of External Auditors from 2023/24
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To present the Committee with the outcome of the process to appoint an external auditor for the Council with effect from 1 April 2023.
Officer recommendation(s):	The Committee to note the appointment of Grant Thornton (UK) LLP as the Council's new external auditors for five years from 1st April 2023.
Reasons for recommendations:	The Council has a statutory responsibility to appoint an external auditor to audit its accounts.
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1. Introduction

- 1.1 The Council's current arrangements for an external audit with Deloitte (UK) LLP will come to an end following the audit of the 2022/23 statement of accounts. The Council is therefore required to appoint an external auditor to undertake the 2023/24 accounts and subsequent years. The Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint an external auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 1.2 On the 16 December 2021, the Government published information on a new package of measures to support the improved timeliness of local audits. This set out the background to the deterioration in performance in hitting audit deadlines by local bodies and a series of actions which are designed to abate the decline.
- 1.3 On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities (for the purposes of External Auditor arrangements) for the five consecutive financial years commencing 1 April 2023 (the compulsory appointing period).
- 1.4 The Committee at its meeting on 17 January 2022 recommended to the Full Council that approval was given to the submission of the form of acceptance notice to the PSAA to opt into the national auditor appointment arrangements for the audit years 2023/24 to 2027/28. A decision to become an opted-in authority was taken in accordance with the Regulations at the Full Council meeting on 21 February 2022.

2. Council External Auditor from 1 April 2023

- 2.1 Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association. PSAA is responsible for appointing an auditor for the five-year period to relevant principal local government bodies that opt into its national scheme, and to set scales of fees, and charging fees, for the audit of accounts of relevant bodies. Overseeing the delivery by its appointed auditors of consistent, high-quality, and effective external audit services to opted-in bodies.
- 2.2 On 17 October 2022, the Council received communication from PSAA, consulting on the Council's proposed auditor appointment from 2023/24 and the intention to appoint Grant Thornton (UK) LLP as the Council auditor for five years from 2023/24, with the appointment commencing on 1 April 2023. This represents a change from the existing appointed auditor - Deloitte LLP.
- 2.3 On behalf of the Council, the Director of Finance and Performance (Chief Finance Officer – S151 Officer) made a representation to the PSAA on the proposed appointment on 14 November 2022, and confirmed that the Council was satisfied/supportive of the proposed appointment of Grant Thornton (UK) LLP as the Council's external auditor for a period of five years from 1 April 2023.
- 2.4 PSAA on 19 December 2022 formerly confirmed the appointment of Grant Thornton LLP as the Council's external auditor to audit its accounts for five years, from 2023/24. The communication is attached as Appendix A for information.
- 2.5 Following the confirmation of appointment, the Council will need to engage with Grant Thornton to ensure a smooth transition between the existing and new auditors.

3. Grant Thornton (UK) LLP

- 3.1 Grant Thornton (GT) UK LLP is the largest supplier of local government audit. The public sector audit has played a significant role within the firm for over 30 years and GT remain committed to the success of the sector. The UK Public Sector Assurance team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and Value for Money.
- 3.2 The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

4. Financial/Resource Implications

- 4.1 The proposed external audit fees will be provided once known; 2023/24 fee information will be available by 30 November 2023 as required by the Appointing Person Regulations, as the costs will depend on proposals from the audit firms. The bid prices will reflect a significant increase compared to the PSAA previous procurement in 2017. The audit industry has faced major challenges in the

intervening period. In addition, local audit faces several distinctive difficulties which have resulted in a less competitive market.

4.2 In Autumn 2023 PSAA will consult on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts. At this stage, the advice to bodies is to anticipate a major reset 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.

4.3 PSAA appreciates that the extent of this likely increase in audit fees will pose a significant funding challenge for local bodies already facing a daunting range of financial pressures and PSAA has raised this concern with DLUHC (Department for Levelling Up, Housing and Communities) for consideration.

5. Risk Management Implications

5.1 The Council has adopted a sector led approach, through PSAA, to the appointment of the new external auditor to ensure a successful transition to the new arrangements in a timely and efficient manner.

6. Equality Analysis

6.1 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

7. Legal Implications

7.1 The Local Audit and Accountability Act 2014 (Part 3) gives powers to appoint auditors. In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. The implications arising therefrom in relation to the audit of the council's accounts are set out in the report.

8. Appendix:

8.1 Appendix A – PSAA confirmation of auditor appointment from 2023/24.

9. Background Papers:

9.1 None