

# Audit, Governance and Standards Committee

18 September 2017

Is the final decision on the recommendations in this report to be made at this meeting?

No

## External Auditor Appointment Update

<b>Final Decision-Maker</b>	Council
<b>Lead Director</b>	Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

### **This report makes the following recommendation:**

1. The Committee notes the proposal of PSAA for Grant Thornton to continue as the Council's external auditor.
2. The Committee notes that the Director of Finance and Business Improvement will respond to PSAA's consultation, taking into account comments from Members.

### **This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	18 September 2017

# External Auditor Appointment Update

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Council's current contract with its external auditor is due to expire at the end of 2017/18. This Committee considered the options for appointment of a new auditor at its meeting on 19 September 2016. It recommended to Council, and it was agreed, that the Council opt in to a joint procurement arrangement through an 'approved person', Public Sector Audit Appointments Ltd (PSAA).
- 1.2 On 15 August PSAA told the Council it was proposing that Grant Thornton continue as the Council's external auditors.
- 1.3 This report updates Members and seeks views that might shape our response to the proposal.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Local Audit & Accountability Act 2014 abolished the Audit Commission and directed local authorities to appoint their own external auditors before 31 December 2017. The Act also allowed created a category of 'approved persons' able to manage procurement for authorities who choose to opt in to that path. The Department of Communities & Local Government approved Public Sector Audit Appointments Limited (PSAA), a wholly owned subsidiary of the Local Government Association, to act as an 'approved person' and invite local authorities to opt-in.
- 2.2 On 7 December 2016 Council decided to opt in to PSAA's procurement arrangement. All but one district council in England took the same decision meaning PSAA effectively ran a single national procurement exercise.
- 2.3 PSAA have largely kept to the procurement timetable and approach advised to the Council in 2016. This approach awarded national contracts divided on the volume of audit work on offer, with a second step following to assign auditors to individual authorities. On 22 June 2017 PSAA announced the results of its national exercise.

Lot	Value	Percentage	Winner
1	£14.6m	40%	Grant Thornton LLP
2	£10.9m	30%	EY LLP (Ernst & Young)
3	£6.6m	18%	Mazars LLP
4	£2.2m	6%	BDO LLP
5	£2.2m	6%	Deloitte LLP
6	No set value	N/A	Moore Stephens LLP/Scott-Moncrieff LLP Consortium

- 2.4 The overall value of the award suggests an average decrease in audit fees of 18% compared to 2016/17. However, the specific fees for individual authorities will be subject to separate consultation in early 2018.
- 2.5 PSAA then began to assign work to individual authorities in line with these overall values. On 15 August 2017 PSAA told the Council of its proposal to appoint Grant Thornton as the Council's external auditor from the 2018/19 financial year on a five-year contract with potential two year extension.
- 2.6 Grant Thornton are the Council's current external auditors. We understand that Grant Thornton are also the proposed auditors for Swale and Tunbridge Wells Borough Councils.
- 2.7 The appointment only covers work directed by the National Audit Office's Code of Audit Practice. This covers most of external audit's current work, for example the accounts and value for money opinions. The most notable omission is certification of the Council's Housing Benefit Claim form, which it must provide to the Department of Work and Pensions by 30 November each year. The Council will consider arrangements for that appointment soon, and must tell DWP of its decision on that matter by 28 February 2018.
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### **3. AVAILABLE OPTIONS**

- 3.1 The Council may object to PSAA's proposal to appoint Grant Thornton. PSAA give only limited grounds for objection:
- An independence issue that has not previously been notified to PSAA;
  - Formal joint working arrangements with another authority that are both relevant to the auditor's responsibilities and not previously notified to PSAA;
  - Another valid reason, for example a history of inadequate service.
- 3.2 We believe the Council has no valid grounds under these headings to raise an objection to the proposed appointment.
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### **4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 4.1 The Committee has been consulted at earlier stages during the external audit procurement process and the outcome as advised by PSAA is consistent with the views previously expressed by Members.
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## 5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 5.1 The Council must respond to PSAA by 22 September 2017. If we confirm our satisfaction with the proposed appointment we need take no further action. PSAA will confirm the Maidstone BC appointment, with appointments for all opted in authorities, at its board meeting on 14 December 2017. PSAA will write with final confirmation of appointments by 21 December 2017, so meeting the statutory deadline of 31 December.

## 6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	Effective audit procurement will help to ensure good value for money and maintain good governance.	Director of Finance and Business Improvement
<b>Risk Management</b>	External audit complements the Council's internal risk management processes.	Director of Finance and Business Improvement
<b>Financial</b>	The Council's external audit fee is currently £50,475. The new audit arrangements are expected to lead to a reduction but details are not yet known.	Director of Finance and Business Improvement
<b>Staffing</b>	None.	Director of Finance and Business Improvement
<b>Legal</b>	The Council has to appoint a new auditor and have a suitable contract in place before 31 December 2017.	Director of Finance and Business Improvement
<b>Equality Impact Needs Assessment</b>	None.	Director of Finance and Business Improvement
<b>Environmental/Sustainable Development</b>	None.	Director of Finance and Business Improvement
<b>Community Safety</b>	None.	Director of Finance and Business Improvement

		Improvement
<b>Human Rights Act</b>	None	
<b>Procurement</b>	The procurement described in this report is fully compliant with legal requirements and is expected to achieve good value for money.	Director of Finance and Business Improvement
<b>Asset Management</b>	None.	Director of Finance and Business Improvement

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**7. BACKGROUND PAPERS**

None.