

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Appointment of External Auditors
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr Furolo, Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	None

## Executive Summary:

In January 2017, Council agreed to opt-in to the Sector Led Body (SLB) approach to appointing external auditors from 2018 onwards. The SLB role has been undertaken by Public Sector Audit Appointments Ltd (PSAA) which has carried out a procurement exercise on behalf of all of those eligible bodies who opted into the SLB approach. The exercise resulted in Grant Thornton (UK) LLP being successful in winning the biggest contract lot (40%) and subsequently being proposed as the appointed auditor for Tewkesbury Borough Council.

PSAA is currently consulting individual authorities over the appointment proposals, with confirmation or otherwise from eligible bodies being required by 22 September.

Grant Thornton has been the appointed external auditor of Tewkesbury Borough Council for the last five financial years and this report recommends agreement of the proposal to appoint them for a further five years from April 2018.

## Recommendations:

**To APPROVE the appointment of Grant Thornton (UK) LLP as the Council's external auditors for five years from 2018/19**

## Reasons for Recommendation:

The PSAA Board must make final appointments before the end of December 2017 and therefore require prior confirmation from individual bodies of the proposed appointments. The Council has had a good relationship with Grant Thornton and is happy for this relationship to continue.

## Resource Implications:

Scale fees for 2018/19 will be consulted on in due course and will be confirmed in March 2018. The results of the audit procurement, however, indicate that a reduction in scale fees in the region of approximately 18% should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Tewkesbury's current scale fee totals £44,921 and, therefore, an 18% reduction, if delivered, would save the Council £8,085 per annum on external audit costs.

## Legal Implications:

Under the Local Audit and Accountability Act 2014 (the Act) the Council has until December

2017 to make an appointment.
<b>Risk Management Implications:</b> Failure to agree an external auditor by the December deadline will lead to an auditor being appointed by the Secretary of State on behalf of the Council.
<b>Performance Management Follow-up:</b> None
<b>Environmental Implications:</b> None

## 1.0 INTRODUCTION AND BACKGROUND

- 1.1 The Council's current arrangements for external audit with Grant Thornton (UK) LLP come to an end following the audit of the 2017/18 accounts. The Council is therefore required to appoint an external auditor to undertake the 2018/19 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 Following a recommendation by Audit Committee, in January 2017 the Council agreed to opt-in to the Sector Led Body (SLB) approach to appointing external auditors from 2018 onwards. The SLB role has been undertaken by Public Sector Audit Appointments Ltd (PSAA) which has carried out a procurement exercise on behalf of all of those eligible bodies who opted into the SLB approach. Of 493 eligible local bodies, 484 opted into the scheme.
- 1.3 The procurement exercise put the value of the audits into six lots of varying sizes with the largest lot size being worth approximately 40% of the total. That lot was won by Grant Thornton with other smaller lots being won by Ernst & Young and Mazars.
- 1.4 Following the award of the contract lots, PSAA is now undertaking the exercise to appoint specific auditors to individual bodies. PSAA has notified Tewkesbury Borough Council of its proposal to appoint Grant Thornton as our external auditor with confirmation or otherwise being required by 22 September. The appointment will be for five years and will commence in April 2018.

## 2.0 GRANT THORNTON (UK) LLP

- 2.1 Grant Thornton UK comprises around 4,500 employees delivering services to 40,000 clients. The public sector has played a significant role within the firm for over 30 years.

The UK Public Sector Assurance team employs 301 people, including 29 Key Audit Partners, based in designated 'centres of excellence', providing it with locally based public sector specialists across the country. The team is solely dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and the Wales Audit Office. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's development of appropriate thought leadership and support, such as its series of publications and workshops on income generation in local authorities. In addition, the team can draw on the commercial skills and experience of a wider assurance team of over 1,516 individuals, to reflect the changing assurance needs of local authorities and NHS bodies.

**2.2** In developing the appointment proposal, PSAA applied the following principles, balancing competing demands as much as possible, based on the information provided by audited bodies and audit firms:

- ensuring auditor independence, as required by the Regulations;
- meeting commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

**2.3** Tewkesbury Borough Council has a good relationship with Grant Thornton developed over the last five audit cycles and officers are happy to see the relationship continue. Grant Thornton has also been provisionally appointed to a number of our neighbouring authorities in Gloucestershire including Gloucestershire County Council, Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council.

**2.4** Following the confirmation of appointment, the Council will need to engage with Grant Thornton to ensure an audit body is in place for the grant certification work required on the Housing Benefit Subsidy claim.

### **3.0 OTHER OPTIONS CONSIDERED**

**3.1** None

### **4.0 CONSULTATION**

**4.1** PSAA is currently consulting the Council on the appointment of external auditors. Audit Committee is invited to consider the proposed appointment.

### **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**5.1** None

### **6.0 RELEVANT GOVERNMENT POLICIES**

**6.1** None.

### **7.0 RESOURCE IMPLICATIONS (Human/Property)**

**7.1** None.

**8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

**8.1** None

**9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

**9.1** The use of the SLB to undertake the procurement exercise has resulted in a saving of 18% on the scale fee.

**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1** Appointment of External Auditor – Council 24 January 2017

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**Background Papers:** None

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**Appendices:** None