

Council Report

Ward(s) affected: n/a

Report of the Director of Finance

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Appointment of the Council's External Auditors for the five year period from 2018-19

Executive Summary

With effect from the 2018-19 audits of accounts, Public Sector Audit Appointments (PSAA) are responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. At its meeting on 6 December 2016, full Council resolved to opt-in to the appointing person arrangements made by PSAA. Grant Thornton UK LLP was successful in winning a contract in the procurement process and have been recommended by PSAA as the Council's auditors for a period of five years from 2018-19. This appointment is made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.

Grant Thornton have also been appointed as auditors to nine Surrey Boroughs/Districts and Surrey County Council. There are no issues in respect of independence or any other reasons that would have prevented the appointment of Grant Thornton as auditors.

This matter will also be considered by the Corporate Governance and Standards Committee on 29 March 2018 as part of its consideration of the item on the External Audit Plan for 2017-18.

Recommendation to Council (10 April 2018)

That, following conclusion of the tendering exercise conducted through Public Sector Audit Appointments Ltd, Grant Thornton UK LLP be appointed as the Council's auditors for a period of five years commencing with the audit of the 2018-19 Statement of Accounts.

Reason for Recommendation:

To comply with regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

1. Purpose of Report

- 1.1 This report provides an update on the future of external audit following the conclusion of the tendering process conducted by Public Sector Audit Appointments (PSAA) Ltd.

2. Strategic Framework

- 2.1 The 'Your Council' theme within the Corporate Plan 2015-20 sets out the Council's key priorities of improving value for money and efficiency in service delivery, ensuring long-term financial stability and sound financial governance. The external audits undertaken by Grant Thornton contribute to the achievement of those priorities.

3. Background

- 3.1 At its meeting on 6 December 2016, the Council received a report on the future of external audit and considered three options for the procurement of external audit for 2018-19 onwards. Following a recommendation from the Corporate Governance and Standards Committee, the Council resolved to opt in to the sector led procurement process, through the Local Government Association's (LGA) wholly owned company, Public Sector Audit Appointments (PSAA) Ltd.
- 3.2 Grant Thornton UK LLP was successful in winning a contract in the procurement process and have been recommended by PSAA as the Council's auditors for a period of five years from 2018-19. This appointment is made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.
- 3.3 Grant Thornton have also been appointed as auditors to nine Surrey Boroughs/ Districts and Surrey County Council. There are no issues in respect of independence or any other reasons that would have prevented the appointment of Grant Thornton as auditors.
- 3.4 At its meeting on 29 March 2018, the Corporate Governance and Standards Committee will be asked to consider the recommendation from PSAA Ltd and to recommend to Council the formal approval of Grant Thornton UK LLP as the Council's auditors from 2018-19.

4. Financial Implications

- 4.1 There is budget provision in the 2017-18 estimates for the audit fees and the fees for other services provided by Grant Thornton.

5. Legal Implications

- 5.1 The Local Audit and Accountability Act 2014 states that the accounts of a relevant authority for a financial year must be audited:

a) in accordance with the Act and provision made under it, and

- b) by an auditor (a “local auditor”) appointed in accordance with the Act or provision made under it.
- 5.2 A local auditor must, in carrying out the auditor’s functions in relation to the accounts of a relevant authority, comply with the code of audit practice applicable to the authority that is for the time being in force. The current code of practice for UK Local Government is the Code of Audit Practice issued by the National Audit Office (NAO). The code adopts the International Standards of Auditing (ISAs) as issued by the FRC.
- 5.3 ISA 260, Communication of audit matters with those charged with governance, requires the auditor to outline the audit strategy and plan to deliver the audit. The External Audit Plan, which will be considered by the Corporate Governance and Standards Committee on 29 March 2018, meets that requirement.
- 5.4 Section 7 of the Local Audit and Accountability Act 2014 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 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 also provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
- 5.5 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.
- 5.6 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 2015 No. 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

6. Human Resource Implications

- 6.1 There are no human resource implications to the report

7. Background Papers

None

8. Appendices

None