

By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 25th January 2018

Subject: **External Auditor Appointment from 2018/19**

Classification: Unrestricted

Summary: Following national procurement by Public Sector Audit Appointments Ltd (PSAA); to confirm the appointment of Grant Thornton (UK) LLP as the County Council's external auditor for a period of 5 years from 2018/19.

FOR DECISION

1. Background

- 1.1. In January 2016, in common with most English local authorities, this Committee approved the procurement of the County Council's external auditors through a national 'sector led body'. This body was PSAA Ltd, formed through the Local Government Association (LGA). This decision was subsequently ratified by the full County Council.
- 1.2. Such national auditor appointment arrangements clearly had the advantages of economies of scale, aggregated buying power and increased competition.

2. Auditor Appointment

- 2.1. In August 2017 we were informed by PSAA that Grant Thornton (our existing external auditors) had submitted the most economically advantageous tender and their appointment was approved by the PSAA Board at its meeting on 14th December 2017.
- 2.2. This appointment is made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015.
- 2.3. When announcing the initial results in June 2017 the PSAA press release detailed aggregate savings from the procurement process that were expected to exceed £6 million per annum, equivalent to an average reduction of approximately 18% in the scale fees payable by local bodies.
- 2.4. The current external audit fee for 2017/18 is £156,000 and we have been informed by PSAA that the new fee will be £120,062, a reduction of 23%, and which they aim to hold at this level for the next 3 years.
- 2.5. Although reduced audit fees are welcome it will clearly be important to ensure the quality of external audit work is maintained and effectively managed.
- 2.6. In terms of continuity of auditing and consistency in treatment of joint areas such as pension funds, it has been agreed that in the first instance the County Council's arm's length trading companies such as Commercial Services and GEN2 should engage the same external auditor as the County Council. (The PSAA agreement and fee scale does not cover the external audit contracts with these organisations and they will have to be negotiated separately). However if performance was considered unsatisfactory each LATCO in consultation with the Section 151 officer has the right to change its appointed external auditor.

3. Recommendations

Members are asked to confirm the appointment of Grant Thornton (UK) LLP as the external auditor of the County Council for a five year period commencing with the accounts from 2018/19.

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