



Name of meeting: Corporate Governance & Audit Committee

Date: 14th September 2017

Title of report: ARRANGEMENTS FOR SELECTING AN EXTERNAL AUDITOR FOR THE YEAR 2018/19 AND ONWARDS

Purpose of report; To update Corporate Governance & Audit Committee on the current position regarding the appointment of new auditors

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports) ?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name Is it also signed off by the Service Director for Finance, IT & Transactional Services? Is it also signed off by the Service Director for Legal Governance and Monitoring?	Not applicable
Cabinet member portfolio	Not applicable

Electoral wards affected: All

Ward councillors consulted: Not applicable

Public

1. Summary

- 1.1 At its meeting on 27th January 2017 this Committee agreed that the Council be recommended to ask Public Sector Audit Appointments Ltd to carry out Auditor Panel duties on behalf of the Council and nominate a proposed External Auditor to the Council in due course. The council agreed with this action at its meeting on 15th February 2017.
- 1.2 Public Sector Audit Appointments Ltd (PSSA) have now carried out their tendering exercise, and have notified the Council that they wish to formally consult on their proposal to appoint Grant Thornton (UK) LLP to audit the accounts of Kirklees Metropolitan Council for five years from 2018/19. The appointment will start on 1 April 2018.

2. Information required to take a decision

- 2.1 In 2013 the Government announced the abolition of the Audit Commission. They then carried out a national tendering exercise to outsource the detailed audit work previously delivered directly by Audit Commission staff, and nominated Public Sector Audit Appointments Ltd, an arm of the LGA, to manage the outsourced contracts, which were then extended, but cease from the completion of the accounts for this year (2017/18). KPMG were the successful tenderer for most former Audit Commission work in Yorkshire.
- 2.2 The Local Audit and Accountability Act 2014, requires each authority to appoint its own external auditors for the financial year 2018/19 (and beyond). However, (as explained in the report considered in January 2017) the rules that control this freedom are so substantial that the vast majority of authorities have chosen to ask PSAA to procure audit services on their behalf.
- 2.3 PSAA has carried out a tendering exercise, the consequence of which is that only some of the current providers have secured work.
- 2.4 PSAA has now advised that they wish to formally consult the Council on their proposal to appoint Grant Thornton (UK) LLP to audit the accounts of Kirklees Metropolitan Council for five years from 2018/19. The appointment will start on 1 April 2018. The council has previously advised PSAA which suppliers might be considered to be conflicted.
- 2.5 If the Council is content with the proposal it simply needs to confirm this. If it wishes to object, or make observations it would need to provide reasons. Reasons for objecting to the proposal would be; independence issues, need for a shared auditor with another authority for operational reasons or concerns about quality of work previously provided to the council.
- 2.6 Officers have considered if there is any reason why Grant Thornton might be considered unsuitable to carry out the work for the Council.
- 2.7 Grant Thornton has had no involvement with the Council as advisers or consultants, and there are no reasons to believe that they are unsuitable.

3. Implications for the Council

- 3.1 Early Intervention and Prevention (EIP) -None directly
- 3.2 Economic Resilience (ER) -None directly

- 3.3 Improving Outcomes for Children -None directly
- 3.4 Reducing demand of services -None directly
- 3.5 Although each of the sub categorisations above suggests no direct implications, the work of the external auditor covers all aspects of the councils operations, including elements of the above, indirectly.
- 3.6 Given that the work of the external auditor has been specified nationally based on national and international accounting standards and the expectations of the National Audit Office, there should be no particular difference between any suppliers. There will be initial learning by both parties as each gets used to the processes and expectations of the other.

4. Consultees and their opinions

- 4.1 Not applicable.

5. Next steps

- 5.1 The consultation period runs until Friday 22 September 2017. The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017 and will contact all opted-in bodies after this Board meeting to confirm auditor appointments.(Unless the Council raises objections, or other councils raise issues which cause PSAA to need to reassign work)

6. Officer recommendations and reasons

- 6.1 The Committee authorises officers to confirm to PSAA that they have no objection to the proposed appointment of Grant Thornton LLP.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk 01484 221000 (73672)

9. Background Papers and History of Decisions

Correspondence from Public Sector Audit Appointments Ltd
Report to this committee 27th January 2017

10. Director responsible

Not applicable.

