
Report to: Governance and Audit Committee

Date: 3 August 2017

Subject: External audit update

1. Purpose

- 1.1. This report sets out information on the progress in appointing auditors for future years following approval to progress this with Public Sector Audit Appointments Ltd (PSAA).

2. Information

- 2.1. The external auditors Mazars have recently completed their audit work on the annual accounts and this is covered under the next agenda item.
- 2.2. Members will recall that they recommended, and CA approved, the use of Public Sector Audit Appointments Ltd (PSAA) to appoint auditors in future years. PSAA has now confirmed that 484 of 493 eligible local authorities have elected to appoint through PSAA.
- 2.3. Since the last meeting of this Committee PSAA has completed the major procurement process to identify the firms which will carry out audits under contract to PSAA. The successful tenderers are Grant Thornton, EY, Mazars, BDO, Deloitte and a consortium of Moore Stephens/Scott-Moncrieff. These contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so.
- 2.4. PSAA will commence a consultation process in early August to run to 22 September. If a body accepts the proposed auditor then no further action will be required and a confirmation letter will be sent out in due course. There is however an opportunity to present to PSAA any valid reasons why the proposed firm may not be appointed – the period for making representations will be 16-27 October and 10-24 November. Valid reasons may include a conflict on independence or relevant joint working arrangements already in place. The Committee may wish to consider how it will

make a response to the proposed auditor arrangement as the consultation takes place and concludes prior to its next meeting.

2.5. A further consultation process, commencing in October 2017, will lead to the approval of fee scales for audits of the 2018/19 accounts, the first year of the national scheme's operation. Following the procurement process PSAA estimate that a fee reduction in the order of 18% could be achieved.

2.6. Further updates will continue to be provided to this Committee.

3. **Financial Implications**

3.1. None arising directly from this report. Audit fees are included in the annual revenue budgets.

4. **Legal Implications**

4.1. None arising directly from this report.

5. **Staffing Implications**

5.1. None arising directly from this report.

6. **Consultees**

6.1. None.

7. **Recommendations**

7.1. That the Governance and Audit Committee note the next steps in the appointment of auditors for 2018/19 and determine a mechanism for responding to the initial proposed auditor appointment.

8. **Background Documents**

8.1. None.