



Leicester
City Council

**WARDS AFFECTED:
ALL WARDS (CORPORATE ISSUE)**

AUDIT & RISK COMMITTEE

6th December 2017

Update on the Procurement of the Council's New External Auditors

REPORT OF THE DIRECTOR OF FINANCE

1. Purpose of Report

- 1.1. To provide the Committee with an update on the appointment of the Council's external auditors, who will start in 2018/19.

2. Recommendations

- 2.1. The Audit & Risk Committee is recommended to:

- 2.1.1. Note the proposed appointment of Grant Thornton as external auditor for the Council's annual accounts & grant claims from 2018/19.

3. Background

- 3.1 Since 1 April 2015, the Council has had its external audit provided by KPMG. KPMG was appointed through Public Sector Audit Appointments Ltd (PSAA) and had a contract up to and including the financial year 2016/17, later extended to cover the financial year 2017/18. The Council then needed to appoint its own independent auditor for the next five years, before 31st December 2017.
- 3.2 A report was presented to Audit & Risk Committee on the 16th November 2016, recommending to Council to procure the external audit contract using PSAA following a sector led procurement option. This was then approved by Council on the 24th November, 2016.

4. Report

- 4.1 The appointment proposed for the Council following the sector led procurement process is Grant Thornton.
- 4.2 The proposed external auditors, Grant Thornton UK, currently employ approximately 4,500 staff delivering services to 40,000 clients. They have played a significant role in the public sector for 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. This 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.
- 4.3 All councils have been consulted on their proposed external auditors, to ensure there is no conflict of interest. The Council's Director of Finance has confirmed to PSAA that there is no conflict of interest and we have no concerns about the appointment. Therefore it is envisaged this appointment will be confirmed at the PSAA Board meeting in December. This will ensure the appointment is in place by the 31st December 2017, as required by Government regulations.
- 4.4 The PSAA led procurement process did not include the audit of grant claims, for example housing benefits. It is envisaged that the Council will also instruct Grant Thornton to complete this work. Upon Grant Thornton being formally appointed as our external auditors, we will look further into this option.
- 4.5 As noted above, KPMG will audit the current year's accounts, and will therefore present their findings and opinion to the Committee in the summer of 2018.

5. FINANCIAL IMPLICATIONS

- 5.1. The annual statement of accounts audit fees are anticipated to reduce by a national average of 18% in 2018/19 through the new contracts. The fee for 2017/18's accounts is £147k, therefore we are anticipating savings of circa £29k.

6. LEGAL IMPLICATIONS

- 6.1 The contract award to Grant Thornton using the PSAA led procurement is noted. When required, advice will be provided by Procurement and Legal Services on the potential contract to Grant Thornton for the auditing of grant claims to ensure compliance with the Contract Procedure Rules and the Contract Procurement Regulations 2015.

Jenis Taylor, Principal Solicitor (Commercial) Ext 37 1405

7. OTHER IMPLICATIONS

<u>OTHER IMPLICATIONS</u>	<u>YES/NO</u>	<u>PARAGRAPH REFERRED</u>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

8. BACKGROUND PAPERS

Report to Council on the 24th November 2016 on the procurement of the Council's external audit contract.

9. CONSULTATIONS

10. AUTHOR

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