

# **Audit and Standards Committee**

**3 November 2022**

## **Appointment of Auditors – An Update**

### **Recommendation**

The Committee is asked to support the appointment of Grant Thornton UK LLP as the Council's external auditors for the period spanning the audits from 2023/24 to 2027/28.

### **1. Key Issues**

- 1.1. On 14 December 2021 full Council agreed to opt-in to the sector-led body procurement, conducted by Public Sector Audit Appointments Limited (PSAA), for the appointment of the Authority's external auditors from April 2023.
- 1.2. We were informed of the outcome of the procurement process on 3 October 2022. The outcome is that it is proposed that Grant Thornton UK LLP are reappointed as the Authority's auditors for the next five years. It is recommended the Authority confirms that it is satisfied with this appointment by the deadline of 14 November 2022.

### **2. Background Information**

- 2.1. The PSAA announcement of the outcome of its procurement of audit services covered 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme for the next appointing period spanning the audits from 2023/24 to 2027/28.
- 2.2. The procurement took place against the challenging backdrop of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties including large volumes of delayed audit opinions. Only ten audit suppliers are currently registered to undertake local audits in England, three of which opted not to take part in the procurement.
- 2.3. Contracts have been offered six suppliers. The scale of the contracts varies widely depending upon the capacity each supplier is able to provide. The

services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young are retained, KPMG have come back into the market and there are two new suppliers, Bishop Fleming and Azets Audit Services.

- 2.4. From 2023/24 the respective shares of the audits of opted-in bodies will be as follows:

	Share of Work
Grant Thornton	36.0%
Mazars	22.5%
Ernst and Young	20.0%
KPMG	14.0%
Bishop Fleming	3.75%
Azets Audit Services	3.25%

- 2.5. In developing appointment proposals PSAA had regard to and sought to balance a range of factors including:
- auditor independence, the most critical of all the factors;
  - joint/shared working arrangements (for example the County Council and Warwickshire Pension Fund having the same auditors);
  - commitments to the firms under the audit contracts;
  - bodies' main offices and firms' geographical preferences;
  - the status of prior years' audits; and
  - continuity of auditor where appropriate.
- 2.6. The outcome of the procurement process is that it is proposed that Grant Thornton UK LLP are reappointed as the Authority's auditors for the next five years. As an Authority we have worked closely with Grant Thornton over recent years and have a good and positive working relationship. Also, Grant Thornton know the Authority and understand our systems and processes. This makes for a more efficient and effective audit in these difficult times for the sector. It is therefore recommended that the Authority confirms that it is satisfied with this appointment by the deadline of 14 November 2022.

### **3. Financial Implications**

- 3.1. The bid prices PSAA received in this procurement reflect a significant increase compared to the previous procurement in 2017, again reflecting the challenges faced by the sector in the intervening period which have resulted in a less competitive market.

3.2. In Autumn 2023 PSAA will consult on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts. It is anticipated total fees for 2023/24 will be an increase of the order of 150%. The actual total fees will depend on the amount of work required. For the County Council this would translate to an increase in fees of between £200,000 and £250,000. Provision for this increased cost forms part of the 2023/24 Medium Term Financial Strategy refresh that is currently underway.

#### **4. Environmental Implications**

4.1. None.

#### **5. Background Papers**

5.1. None.

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