



City of Doncaster Council

Report

Date: 26th January, 2023

**To the Chair and Members of the
AUDIT COMMITTEE**

APPOINTMENT OF EXTERNAL AUDITORS

EXECUTIVE SUMMARY

1. This report summarises the arrangements for appointing External Auditors and makes recommendations for the future appointment of external auditors by the Council.
2. Regulations relating to external audit appointments require that any decision to opt-in to a sector-led procurement option has to be made by the full Council.

EXEMPT REPORT

3. Not applicable.

RECOMMENDATIONS

4. The Audit Committee is asked: -
 - a. to note the outcome of the Public Sector Audit Appointments Ltd exercise to procure audit services for opted-in bodies from 2023/24 onwards that Grant Thornton are reappointed as External Auditor for Doncaster Council.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The external auditor provides independent assurance to the citizens of Doncaster as to whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an audit opinion on the financial statements.

BACKGROUND

6. The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors for all local government and NHS bodies in England.

7. The Council's current external auditor is Grant Thornton, this appointment having been made under a contract managed by Public Sector Audit Appointments Limited (PSAA). The Council's external audit fee for 2022/23 is £282,810.
8. The scope of the audit will continue to be specified nationally. The National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out councils' audits must follow.

OPTIONS CONSIDERED

9. This committee considered the arrangements to appoint external auditors at its meeting on 28th October, 2021 and recommended to full Council that the Council opted in to the national procurement arrangement run by PSAA, covering the audits of the Council's 2023/24 to 2027/28 accounts.
10. Full Council made the decision to opt-in to the PSAA procurement process at its meeting on 20th January, 2022.

REASONS FOR RECOMMENDED OPTION








11. PSAA is responsible for appointing an auditor to eligible bodies that have chosen to opt into their national auditor appointment arrangements. Under regulation 13 of the Appointing Persons Regulations PSAA must appoint an external auditor to each opted-in body having consulted on their proposal.
12. On 3rd October, 2022 PSAA wrote to inform the Council of the outcome of their procurement to let audit contracts from 2023/24; Grant Thornton was successful in winning a contract in the procurement and were reappointed as the auditor of Doncaster Council for five years from 2023/24.
13. In developing appointment proposals PSAA have considered information provided to them by both opted-in bodies and audit firms, and have had regard to and sought to balance a range of factors including: -
 - a. auditor independence, the most critical of all the factors;
 - b. joint/shared working arrangements and information from bodies, where PSAA have prioritised those requests that are most relevant to the auditor's responsibilities;
 - c. PSAA commitments to the firms under the audit contracts;
 - d. bodies' main offices and firms' geographical preferences;
 - e. the status of prior years' audits; and
 - f. continuity of auditor where appropriate.
14. The final list of firms that can sign off accounts has been confirmed by PSAA. There was also a warning that work to improve the quality of accounts will need to happen as fees could increase by up to 150% for the 2023/24 audit.
15. Only six auditors will be competing for business out of 10 potential suppliers. PSAA said this was due to the challenging backcloth 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.


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

- Grant Thornton 36.0%
- Mazars 22.5%
- Ernst & Young 20.0%
- KPMG 14.0%
- Bishop Fleming 3.75%
- Azets Audit Services 3.25%

IMPACT ON THE COUNCIL'S KEY OUTCOMES

17.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change				
 Developing the skills to thrive in life and in work				
 Making Doncaster the best place to do business and create good jobs				
 Building opportunities for healthier, happier and longer lives for all				
 Creating safer, stronger, greener and cleaner communities where everyone belongs				
 Nurturing a child and family-friendly borough				
 Building Transport and digital connections fit for the future				

 Promoting the borough and its cultural, sporting, and heritage opportunities				
Fair & Inclusive				
<p>Ensuring proper procurement processes are followed and utilising a national Sector Led Body (Public Sector Auditor Appointments Limited ensures that best value is obtained through negotiating on the council's behalf to obtain better rates and lower fees than are likely to result from local negotiation.</p>				

18. Legal Implications [Officer Initials: SRF | Date: 16.01.23]

There is a statutory obligation on the Council to appoint an external auditor and these are set out in the Local Audit and Accountability Act 2014. Had the Council chosen not to partake in the national procurement exercise it would have been required to carry out its own procurement process in compliance with Contract Procedure Rules

19. Financial Implications [Officer Initials: RLI | Date: 16.01.23]

The 2022/23 budget for external audit fees is £283k. This funds the main external audit contract, plus the costs of auditing specific grants per the relevant terms and conditions. An additional £250k has been included as a budget pressure for 2023/24 in anticipation of an increase in fees of up to 150%.

20. Human Resources Implications [Officer Initials: DK | Date: 16.01.23]

There are no direct HR implications to this report.

21. Technology Implications [Officer Initials: PW | Date: 18.01.23]

There are no technology implications in relation to this report.

RISKS AND ASSUMPTIONS

22. The appointment of PSAA was considered the option most likely to manage risk associated with failing to follow appropriate procurement processes and obtain value for money within these arrangements.

CONSULTATION

23. A report was presented to Audit Committee on 28th October, 2021, who supported the recommendation to full Council to opt-in to the sector-led approach.

24. A report was presented to full Council on 20th January, 2022, who approved the recommendation to opt-in to the sector-led approach.

BACKGROUND PAPERS

25. Audit Committee: Arrangements for the Appointment of External Auditors

<https://doncaster.moderngov.co.uk/documents/s33289/13%20ac%20281021%20-%20Arrangements%20for%20the%20Appointment%20of%20External%20Auditors.pdf>

26. Council: Arrangements for the Appointment of External Auditors

<https://doncaster.moderngov.co.uk/documents/s34119/Appointment%20of%20External%20Auditors.pdf>

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

27. NAO	National Audit Office
NHS	National Health Service
PSAA	Public Sector Audit Appointments Limited
The Act	Local Audit and Accountability Act 2014

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