

# Audit and Risk Committee

23 January 2023

<b>Report title</b>	Appointment of the External Auditor	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee</b>	Alison Shannon	Chief Accountant
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<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendations for noting:

The Audit and Risk Committee is recommended to:

Note the appointment of Grant Thornton (UK) LLP as the Council's external auditor from April 2023.

## **1.0 Purpose**

- 1.1 To update Audit and Risk Committee on the conclusion of the Public Sector Audit Appointments (PSAA) process to appoint the external auditor.

## **2.0 Background**

- 2.1 The arrangement with our current external auditors Grant Thornton expires in 2022-2023, and a new external auditor (which includes the independent audit of the Council's statutory accounts and arrangements for achieving value for money) had to be appointed before the end of December 2022.
- 2.2 The secretary of State confirmed PSAA in the role of appointing person for eligible principal bodies for the period commencing April 2023.
- 2.3 In September 2021 the Council received an invitation from PSAA to opt into the national scheme for auditor appointments from April 2023.
- 2.4 On 26 January 2022, following recommendation by Audit and Risk Committee on 6 December 2021, Full Council approved that the Council takes up the invitation from Public Sector Audit Appointments to opt into the national scheme for auditor appointments from April 2023.

## **3.0 Progress, options, discussion**

- 3.1 PSAA commenced a compliant restricted procurement process on 7 February 2022. The award criteria were 20% price and 80% quality with PSAA's Board approving the contract award decision on 4 August 2022. The final award was completed by PSAA in December 2022.
- 3.2 Following the PSAA Procurement process, Grant Thornton was successful in winning a contract and has been appointed as the auditor of Wolverhampton City Council and West Midlands Pension Fund for five years from 2023/24.
- 3.3 The outcome of the tender process was reported to Cabinet (Resources) Panel as part of the regular procurement report.

## **4.0 Financial implications**

- 4.1 PSAA announced that it has awarded new contracts to six accountancy firms to carry out annual audits of council accounts. Grant Thornton was one of these firms and has been appointed as the auditor of City of Wolverhampton Council and the West Midlands Pension Fund for five years from 2023-2024 to 2027-2028. Highlighting that the procurement exercise had taken place in difficult circumstances, PSAA have advised bodies to anticipate increases in audit fees in the region of 150% for 2023-2024.

- 4.2 PSAA stressed that whilst 2023-2024 scale fees for opted-in bodies will be published in November 2023, actual fees incurred will always depend on the amount of work agreed locally. The external audit fees for audit of the 2020-2021 accounts were just under £216,000 for the Council and £61,000 for the West Midlands Pension Fund. The audit of the 2021-2022 accounts is ongoing and fees have yet to be finalised.
- 4.3 Based on the level of fees in 2020-2021 and the indicative increase advised by PSAA the combined fee for both bodies could rise to over £690,000 in 2023-2024, with the fee for the Council accounting for £540,000 of this. The current budget set aside for the Council's audit fees, excluding provision for grant audit work, is £200,000. This budget was already set for review pending finalisation of the fees for audit of the 2021-2022 accounts but will clearly now have to be increased significantly from 2023-2024 onwards.
- 4.4 Following the Redmond review of external audit fees, the Government announced additional funding to offset rises in costs and the Council received £75,000 in 2021-2022. It is unclear at the moment whether further funding will be made available, but this will be kept under review and any required growth in the external audit fees budget will be incorporated in the MTFs in the medium term.

[CN/13012023/X]

## **5.0 Legal implications**

- 5.1 The Local Audit and Accountability Act 2014 requires the Council to appoint an external auditor.
- 5.2 Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
- 5.3 PSAA is subject to the Public Contracts Regulations 2015 and these have been considered during the process to award this contract on behalf of the Council.  
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## **6.0 Equalities implications**

- 6.1 While there are no direct equalities implications arising from the recommendation in this report, the local audit process is a key part of the preparation and sign-off of the Statement of Accounts, and thereby will aid the Council in its ability to meet its equality objectives.

## **7.0 All other implications**

7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers**

Cabinet (Resources) Panel, 16 November 2022, Procurement – Award of Contracts for Works, Goods and Services

Council, 26 January 2022, Appointment of the External Auditor

Audit and Risk Committee, 6 December 2021, Appointment of the External Auditor