

REPORT REFERENCE NO.	APRC/17/14
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	12 SEPTEMBER 2017
SUBJECT OF REPORT	APPOINTMENT OF EXTERNAL AUDITORS
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<i>That the Committee endorses the proposed appointment of Grant Thornton (UK) LPP as the Authority's external auditors for the five year period commencing on 1 April 2018.</i>
EXECUTIVE SUMMARY	<p>The current contract relating to the external audit work provided by Grant Thornton covers up to and including the completion of the 2017-18 audit.</p> <p>The appointment to cover the next contract period is subject to new regulations which require a local authority body to move to the local appointment of auditors.</p> <p>At the meeting of the Fire and Rescue Authority on 19 December 2016, it was agreed (Minute DSFRA/39 refers) that, rather than put in place its own procurement process, the Authority utilise the national scheme for appointing auditors to be operated by Public Sector Audit Appointments (PSAA). It was considered that this approach would maximise the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.</p> <p>The Authority has now been notified by Public Sector Audit Appointments that, following completion of the auditor appointing process, it is proposed that Grant Thornton be re-appointed to audit the Authority accounts for the five year period from April 2018.</p> <p>This proposed appointment is subject to a consultation period until 22 September 2017 during which time an audited body can make representations to Public Sector Audit Appointments on the proposed appointment. It is recommended that the Committee endorse the recommendation of the Treasurer that the Authority accepts the proposed appointment.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has revealed that there are no equality issues arising from this report.
APPENDICES	A – Public Sector Audit Appointments notification dated 15 August 2017 of proposed auditor appointment.
LIST OF BACKGROUND PAPERS	Changes to Arrangements for the Appointment of External Auditors – report reference DSFRA/16/25 as reported to the meeting of DSFRA held on the 19 December 2016.

1. **INTRODUCTION**

1.1 The current contract relating to the appointment of the Authority external auditors, Grant Thornton, covers up to and including the completion of the 2017-18 audit. Grant Thornton is currently working under a contract originally let by the Audit Commission with the contract being novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

1.2 When the current transitional arrangements come to an end on 31 March 2018 new regulations require the Authority to move to the local appointment of the auditor. At the meeting of the Fire and Rescue Authority on 19 December 2016 it was agreed (Minute DSFRA/39 refers) that the Authority utilise the national scheme for appointing auditors to be operated by Public Sector Audit Appointments maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

1.3 Following completion of the national procurement process during the summer, the Authority has now received a formal communication (attached as Appendix A) that it is proposed that Grant Thornton (UK) LPP be appointed to audit the accounts of Devon and Somerset Fire and Rescue Authority for the five year period commencing on 1 April 2018.

2. **APPOINTMENT CONSULTATION PROCESS**

2.1 The proposed appointment is subject to a consultation period until 22 September 2017, during which time an audited body can make representations to the PSAA on the appointment including any objection to the appointment and the reasons for that objection.

2.2 It is the view of the Treasurer and Head of Finance that this is a good appointment for the Authority given that the Authority has been satisfied with the quality of service received during the last five years and pleased with the good working relationships which has been built up during that time. Their re-appointment will enable a continuity of those relationships.

3. **FINANCIAL IMPACT**

3.1 Current audit fees are £33,820 per annum. As is indicated in Appendix A, the results of the procurement process anticipates a reduction in scale fees for the region of approximately 18 per cent over 2016-17 fees. It is not clear whether this reduction is net of the costs of the procurement process which is to be funded from the savings. The PSAA will consult on scale fees for 2018-19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on their website in March 2018.

4. **RECOMMENDATION**

4.1 The Committee is asked to endorse the recommendation of the Treasurer that he responds to the Public Sector Audit Appointments to confirm acceptance of the proposed appointment of Grant Thornton (UK) LPP as the external auditor for Devon and Somerset FRA for the five years commencing 1 April 2018.

KEVIN WOODWARD
Treasurer

NOTIFICATION FROM PUBLIC SECTOR AUDIT APPOINTMENTS

From: auditorappointments@psaa.co.uk [<mailto:auditorappointments@psaa.co.uk>]

Sent: 15 August 2017 07:57

To: Lee Howell <lhowell@dsfire.gov.uk>; Kevin Woodward <kwoodward@dsfire.gov.uk>

Cc: auditorappointments@psaa.co.uk

Subject: Devon and Somerset Fire and Rescue Authority - consultation on auditor appointment from 2018/19

Importance: High

This is a formal communication to the chief executive and chief finance officer of Devon and Somerset Fire and Rescue Authority to consult on the auditor appointment from 2018/19

I am writing to consult you on the appointment of Grant Thornton (UK) LLP to audit the accounts of Devon and Somerset Fire and Rescue Authority for five years from 2018/19. The appointment will start on 1 April 2018.

Background

For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. More information on the [appointing person scheme](#) is available on our website.

About the proposed appointment

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

Devon and Somerset Fire and Rescue Authority has opted into PSAA's auditor appointment arrangements. We have sent regular email communications to audited bodies about this process, and wrote to you on 19 June 2017 to advise you that we had completed a procurement to let audit contracts from 2018/19. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and we propose appointing this firm as the auditor of Devon and Somerset Fire and Rescue Authority.

Grant Thornton UK comprises around 4,500 employees delivering services to 40,000 clients. The public sector has played a significant role within the firm for over 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. The 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. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's development of appropriate thought leadership and support, such as its series of publications and workshops on income generation in local authorities. In addition, the team can draw on the commercial skills and experience of a wider assurance team of over 1,516 individuals, to reflect the changing assurance needs of local authorities and NHS bodies.

In developing this appointment proposal, we have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

Further information on the [auditor appointment process](#) is available on our website.

Responding to this consultation

We are consulting you on the proposed appointment of Grant Thornton (UK) LLP to audit the accounts of Devon and Somerset Fire and Rescue Authority for five years from 2018/19. The consultation will close at **5pm on Friday 22 September 2017**.

If you are satisfied with the proposed appointment, please confirm this by email to auditorappointments@psaa.co.uk. No further action is needed from you.

The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017. We will write by email to all opted-in bodies after this Board meeting to confirm auditor appointments.

Process for objecting to the proposed auditor appointment

If you wish to make representations to PSAA about the proposed auditor appointment, please send them by email to auditorappointments@psaa.co.uk to arrive by **5pm on Friday 22 September 2017**.

Representations can include matters that you believe might be an impediment to the proposed firm's independence, were it to be your appointed auditor. Your email should set out the reasons why you think the proposed appointment should not be made. The following may represent acceptable reasons:

1. there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
2. there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
3. there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.

We will consider carefully all representations and will respond by Monday 16 October 2017 by email.

If your representations are accepted, we will consult you on an alternative auditor appointment between 16-27 October 2017. If your representations are not accepted, we will confirm this to you. You may choose to make further representations to the PSAA Board, providing any additional information to support your case.

We will write to all bodies to confirm the Board's final decision on the appointment of the auditor before 21 December 2017.

Scale fees for 2018/19

We will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Further [information on the audit procurement](#) is available on our website.

Further information

If you have any questions about your proposed auditor appointment or the consultation process, please email us at auditorappointments@psaa.co.uk.

Yours sincerely

Jon Hayes
Chief Officer