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Dear Member

AUDIT COMMITTEE - MONDAY, 7 NOVEMBER 2022

I am now able to enclose, for consideration at the Monday, 7 November 2022 meeting of the Audit Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
7.	Proposed Auditor Appointment from 2023/24	(Pages 2 - 5)

Yours sincerely

Lisa Antrobus
Clerk

Meeting: Audit Committee **Date:** 7 November 2022

Wards affected: All

Report Title: Proposed Auditor Appointment from 2023/24

Director/Divisional Director Contact Details: Martin Phillips, Director of Finance,
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1. Purpose of Report

- 1.1 To inform the Audit Committee of the proposed appointment of the external auditor to the Council for the 2023/24 accounts and beyond as notified by the Public Sectors Audit Appointments (PSAA)

2. Reason for Proposal and its benefits

- 2.1 The proposals in this report help us to deliver the ambitions set out in the Corporate and Community Plan by ensuring the Council is fit for the future.
- 2.2 The reasons for the decision are to ensure the external audit function meets the service needs of the Council in an efficient and cost-effective manner.

3. Recommendation(s) / Proposed Decision

1. That the Director of Finance in consultation with the Chairman of the Audit Committee formally objects to the proposed auditor appointment and proposed fee increase by midnight on 14 November 2022.

1. Introduction

- 1.1 At its meeting on 9 December 2021, the Council agreed to accept the Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2023.
- 1.2 Under regulation 13 of the Appointing Persons Regulations, the PSAA must appoint an external auditor to each opted-in body having consulted on their proposal. The Council, in accordance with regulation 13 was informed of the outcome of the PSAA procurement to let audit contracts from 2023/24. Grant Thornton was successful in winning a contract in the procurement, and PSAA propose appointing them as the auditor of Torbay Council for five years from 2023/24.
- 1.3 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:
- auditor independence, the most critical of all the factors;
 - joint/shared working arrangements and information from bodies, where we have prioritised those requests that are most relevant to the auditor's responsibilities;
 - our 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.

PSAA have sought to accommodate as many requests as they could but that has not been possible in all cases - another consequence of the current, challenging local audit market.

- 1.4 PSAA have also indicated that bodies should anticipate an increase of the order of 150% on the total fees for 2022/23 (so a £100k 2022/23 total audit fee (scale fee plus fee variations) could become £250k 2023/24 total audit fee - noting that the actual total fees will depend on the amount of work required. PSAA will consult formally on scale fees for 2023/24 in Autumn 2023 and will publish confirmed scale fees for 2023/24 for opted-in bodies on their website by 30 November 2023.
- 1.5 The consultation closes at midnight on Monday 14 November 2022. It is proposed that the Director of Finance in consultation with the Chairman of the Audit Committee objects to the appointment and the anticipated fee increase. Members will be aware that Grant Thornton have been the Council's External Auditor for around 7 years. A different external audit provider, in particular one of the new firms in this contract round, could approach the audit with fresh views and ideas and provide a consistency of service. The council has previously benefited from a change of auditor and that change led to improvements in the audit process. The anticipated fee is also of concern when many councils face challenging budgetary pressures an increase in fee of 150% is difficult to justify.

2. Options under consideration

- 2.1 An alternative option would be to accept the appointment, however without feedback the current requirements and delivery of external audit will not be reviewed.

3. Financial Opportunities and Implications

- 3.1 There are no financial opportunities available with this decision, however there is a considerable financial implication (approx. £150,000) that will need to be built into the 2023/24 budget should the anticipated fee scale materialise.

4. Legal Implications

- 4.1 None

5. Engagement and Consultation

- 5.1 Not applicable

6. Purchasing or Hiring of Goods and/or Services

- 6.1 Not applicable as PSAA are the appointing body.

7. Tackling Climate Change

- 7.1 Not applicable

8. Associated Risks

- 8.1 By objecting there is a risk to the Council's relationship with the External Auditor, however this is a consultation phase for the appointment of External Auditor and objection is an opportunity afforded to the Council by the PSAA process.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			X
People with caring Responsibilities			X

People with a disability			X
Women or men			X
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			X
Religion or belief (including lack of belief)			X
People who are lesbian, gay or bisexual			X
People who are transgendered			X
People who are in a marriage or civil partnership			X
Women who are pregnant / on maternity leave			X
Socio-economic impacts (Including impact on child poverty issues and deprivation)			X
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			X

10. Cumulative Council Impact

10.1 None

11. Cumulative Community Impacts

11.1 None