

9 September 2014

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Dear Ms Lee

Plymouth City Council - consultation on auditor appointment from 2015/16

I wrote to you on 23 June 2014 to consult on the proposed appointment of BDO LLP to audit the accounts of Plymouth City Council (the Council) from 2015/16.

I received an email response from David Northey on 22 July 2014, objecting to the proposed appointment and asking the Commission to consider extending the appointment of the current auditor, Grant Thornton LLP. The reasons given relate to the good relationship with the existing auditor, their understanding of the challenges facing the Council, and their knowledge of the cross-working and joint projects the Council is involved in with its close neighbours.

We have considered carefully the representations made. The representations have also been considered by a subcommittee of the Commission Board (the Board's Appointments Panel). I am writing to confirm that as a result we do not intend to change the Commission's proposal to appoint BDO LLP to audit the accounts of Plymouth City Council from 2015/16.

While we understand the potential complexity of the matters outlined in David Northey's reply, we also have to consider other factors when making auditor appointments. The Commission must balance the preferences of audited bodies against its contractual obligations with the firms, including those who won contracts following our most recent procurement exercise. From the information provided to us, it does not appear to be the case that the Council has a joint management team or shared back office functions with its neighbouring authorities. In such cases, we do try to ensure that the same auditor is appointed to the authorities involved.

The current appointment of Grant Thornton LLP as the Council's auditor was made under contracts awarded in 2006 and 2007. The Commission announced in April 2013 that it would

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retender these contracts, covering approximately 30 per cent of the local public audit market and including Plymouth City Council. The retendering exercise has achieved more competitive prices, enabling us to consider further reductions in the costs of audit from 2015/16. Grant Thornton was not successful in obtaining one of the new contracts replacing these older contracts.

The Commission Board will consider my recommendations and those of the Appointments Panel at its meeting on 4 December 2014. You will receive a letter to confirm your auditor appointment from 2015/16 after that date.

I thank you for bringing this matter to our attention, and hope you understand the reasons for our decision about your auditor appointment.

Yours sincerely



Jon Hayes
Associate Controller of Audit (Compliance)

cc David Northey, Head of Corporate Strategy, Plymouth City Council

BRIEFING NOTE

Audit Committee 25 September 2014

Appointment of External Auditors



Local Government Association to lead interim arrangements for public sector audit after 2015

Local Government Minister Brandon Lewis announced 21 March 2014 that as part of plans to save £1.2 billion from the abolition of the Audit Commission the [Local Government Association \(LGA\)](#) will lead interim arrangements for public sector audit after 2015.

The Local Government Association will set up a new company to take on responsibility for management of the Audit Commission's contracts until the legal introduction of local appointment in 2017.

The government abolished the Audit Commission's expensive inspection regime and, in 2012, its audit practice was outsourced to private audit firms. The [Local Audit and Accountability Act 2014](#) will disband the residual Audit Commission and introduce a new local audit framework.

Appointment of Auditor

Following the Local Audit and Accountability Act 2014 the Audit Commission has appointed BDO as the Council's auditor for the year ending 31 March 2016 and 2017.

The Local Audit and Accountability Act 2014 provides for the abolition of the Audit Commission, and the introduction of new arrangements for the audit of local public bodies such as local authorities, clinical commissioning groups, and police and crime commissioners. The key elements of the Act as regards audit arrangements are as follows:

- The Audit Commission will be abolished and the Audit Commission Act 1998 will be repealed;
- Local bodies will be able to appoint their own auditors, once existing audit contracts have run their course (contracts currently run until 2017, and will be overseen by a transitional body once the Audit Commission has been abolished);
- To help underpin auditor independence, local audit appointments will be overseen by an Independent Auditor Panel. The Act also enables collective audit procurement should local bodies wish to join together in this way;

What does this mean for Plymouth City Council?

Our Financial Accounts will be audited in the short term by:

2014/15	Grant Thornton
2015/16	BDO