

# Audit Committee

17 October 2017



<b>Title</b>	Appointment of External Auditors		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Terry Collier Chief Finance Officer		
<b>Cabinet Member</b>	Councillor Howard Williams	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>To note the update on the process for appointing external auditors for a five year period commencing with the 2018/19 accounts audit.</b>		
<b>Reason for Recommendation</b>	To update the Committee on progress since the last report to Audit Committee on 26 <sup>th</sup> January 2017/.		

## 1. Key issues

- 1.1 Local authority external auditors used to be appointed by the Audit Commission. As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments (PSAA) on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 1.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.
- 1.3 Invitations to opt in were issued in October 2016 with a response required before 9<sup>th</sup> March 2017. For the reasons set out in the 26<sup>th</sup> January 2017 Committee report the Committee decided to opt into the PSAA arrangements under which the PSAA would nationally procure external auditors for Councils.
- 1.6 The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.
- 1.7 Virtually all councils in England, and all councils in Surrey opted into the PSAA arrangements.

- 1.8 The Chief Finance Officer and the Chief Executive have both been advised that provisionally Spelthorne had been allocated BDO LLP as our next auditors. BDO are one of five different audit firms allocated across the Surrey councils the others being Deloitte, Ernst Young, Grant Thornton and Moore Stephens. The only other Surrey council to be provisionally allocated BDO is Surrey Heath. We were required to respond to this initial consultation by 27<sup>th</sup> September 2017.

## **2. Options analysis and proposal**

- 2.1 Officers in consultation with the Chairman and Deputy Chairman of the Committee, and the Finance Portfolio Holder have responded to the initial stage of consultation.
- 2.2 In our response we have sought clarification as to the number of local authority clients BDO have been allocated, as we are looking for assurance that they will have appropriate scale to provide sector technical expertise to their teams. We raise this as until recently BDO have had a limited number of council clients.
- 2.3 Officers have highlighted in the response to the PSAA a potential independence issue with the proposed appointment with respect to the fact that one of the Council's councillors (Cllr Forbes-Forsyth) is a senior employee with BDO. This has potential to undermine perceptions of independence of the auditors. We have asked PSAA to reflect on this before confirming the allocation of BDO.

## **3. Financial implications**

We are awaiting to be notified by the PSAA of what the fee levels will be under the new contracts. The PSAA will initially consult on proposed fee levels.

## **4. Other considerations**

None

## **5. Timetable for implementation**

If in response of our representations, the PSAA decides to appoint an alternative auditor they will consult us on an alternative auditor appointment between 16 and 27 October 2017.

**Background papers:**

**Appendices: None**