

# Extraordinary Audit Committee

26 January 2017



<b>Title</b>	Appointment of External Auditors		
<b>Purpose of the report</b>	To make a decision		
<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 recommend to the Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.</b>		
<b>Reason for Recommendation</b>	<p>It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.</p> <p>Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by the Council (authority meeting as a whole). To comply with this regulation Cabinet is asked to make the recommendation above to Council</p>		

## 1. Key issues

- 1.1 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 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government.

PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).

- 1.4 Invitations to opt in were issued in October 2016 (see Appendix 1) with a response may be required before 9<sup>th</sup> March. Under the regulations a decision to opt in has to be approved by a meeting of Council.
- 1.5 The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- \* Assure timely auditor appointments
- \* Manage independence of auditors
- \* Secure highly competitive prices
- \* Save on procurement costs
- \* Save time and effort needed on auditor panels
- \* Focus on audit quality
- \* Operate on a not for profit basis and distribute any surplus funds to scheme members.

- 1.6 The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.
- 1.7 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

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

- 2.1 To opt in to the Sector Led Body (PSAA) option- preferred option for the reasons set out above.
- 2.2 To set up our own independent Audit Panel to oversee the process of procuring external auditors

## **3. Financial implications**

- 3.1 Explain the key financial headlines linked to appropriate data in appendices (if required).

## **4. Other considerations**

The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

## **5. Timetable for implementation**

- 5.1 Recommendation to go to February 23<sup>rd</sup> 2017 Council.

**Background papers:**

**Appendices: Letter from PSAA**