

 <b>Executive</b> <b>30 November 2016</b>		<b>Agenda Item No. 6</b>
<b>Title</b>	Appointment of External Auditor	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	14/11/2016	Chris Elliott
Head of Service	14/11/2016	Mike Snow
CMT	14/11/2016	
Section 151 Officer	14/11/2016	Mike Snow
Monitoring Officer	14/11/2016	Andrew Jones
Finance	14/11/2016	Mike Snow
Portfolio Holder(s)	14/11/2016	Cllr Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
PSAA Advisory Board and has consulted widely with other Section 151 Officers.		
<b>Final Decision?</b>	No	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.

## 2. **Recommendation**

- 2.1 To recommend to Full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

## 3. **Reasons for the Recommendation**

- 3.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement undertaken alone or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and procuring alone.
- 3.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation Executive is asked to make the recommendation above to Council.

## 4. **Policy Framework**

### 4.1 **Policy Framework –**

It is a legal requirement for the Council's accounts to be externally audited and to ensure that an external auditor is appropriately appointed.

- 4.2 **Fit for the Future** – Part of the requirements upon the external auditors when reviewing the accounts, is also to consider value for money. In recent years the Council's Fit for the Future programme has been one of the main areas considered here.

## 5. **Budgetary Framework**

- 5.1 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct the procurement process. 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.

## 6. **Risks**

- 6.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

## 7. **Alternative Option(s) considered**

- 7.1 To establish an auditor panel and conduct our own procurement. This is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.

## 8. **Background**

- 8.1 As part of closing the Audit Commission the Government novated external audit contracts to 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.
- 8.2 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.
- 8.3 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).
- 8.4 The date by which authorities will need to opt in to the appointing person arrangements is not yet finalised. However, it is anticipated that invitations to opt in will be issued in December 2016 and a response will be required before February. Accordingly, this report is being brought to members now to enable time for Council consideration and approval to be given.
- 8.5 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.