
REPORT TO:	COUNCIL	AGENDA ITEM: 11
DATE OF MEETING:	19 th JANUARY 2017	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
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SUBJECT:	APPOINTMENT OF THE COUNCIL'S EXTERNAL AUDITOR	
WARD(S) AFFECTED:	ALL	

1.0 Recommendations

- 1.1 That the Council opts into the national procurement framework for the appointment of its External Auditor from the financial year 2018/19.

2.0 Purpose of the Report

- 2.1 To consider a recommendation from the Audit Sub-Committee regarding the future appointment of the External Auditor. This is in accordance with the Local Audit and Accountability Act 2014 (*the Act*) which makes it a statutory requirement for the appointment to be made by Full Council.
- 2.2 The provisions contained in the Act were firstly considered by the Audit-Sub Committee in September 2014 and then again in December 2016, following additional guidance provided by the Government, together with the Local Government Association.

3.0 Detail

- 3.1 The Act introduced several new requirements regarding Governance and the publication of the Statutory Financial Statements. These have now been largely implemented, although the earlier timetable for closure of the Council's Accounts, together with the appointment of External Auditors, will apply in 2017/18 and 2018/19 respectively.
- 3.2 The Act abolished the Audit Commission and established new arrangements for the auditing of public bodies including the local appointment of external auditors (currently appointments are made nationally).

External Auditor Appointments

- 3.3 The Audit Commission was abolished on 31st March 2015 and the responsible body for appointing local government auditors was transferred to the Public Sector Audit Appointments (PSAA) Agency. This was initially designed to be a transitional body charged with managing existing contracts until their expiry in 2017.
- 3.4 It was expected that local councils would then become responsible for appointing external auditors. However, it was also envisaged that the date of 2017 would be extended to enable relevant procurement frameworks to be established.
- 3.5 The Council has received confirmation from the PSAA that the existing contract with its current auditors (Ernst and Young – EY) has been extended by a year to complete the audit of accounts for the financial year 2017/18.
- 3.6 The PSAA have also confirmed that arrangements for a local auditor appointment, as set out in the Act, will apply from the financial year 2018/19 onwards. This appointment for that year must be made by 31st December 2017.
- 3.7 Appointments can be made directly by the Council, in collaboration with other councils, or the appointment can be made through a “specified appointing person.”

Independent Auditor Panels

- 3.8 If the Council wishes to appoint its own auditor, it would need to establish a local independent Auditor Panel. This Panel would assume the role of an appointed body and be responsible for considering and recommending an external auditor to Full Council. It would also monitor the relationship with the external auditor.
- 3.9 A Panel could be the local Audit or Governance Committee if it can be demonstrated that that Committee is independent for this purpose.
- 3.10 The Act specifies that to demonstrate independence, a Panel must consist of a majority of independent persons and be chaired by an independent person, i.e. not a council officer, member or any person connected to them.

Collective Procurement

- 3.11 Alternatively, a council can opt into a sector led collective procurement exercise. In this case, an appointed body, approved by the Government, will procure and monitor auditors nationally, on behalf of all councils who choose to opt in.
- 3.12 The Act requires that any decision to opt-in to collective procurement will need to be taken by Full Council. Councils that opt-in will do so for the duration of the “appointing period” (expected to be between one and five years). The opportunity to opt-in will only occur at the formal invitation point.

- 3.13 The appointed body will be required to consult on and then set a scale of fees for audit, which opted-in councils will be required to pay. If a council uses the collective procurement option, there is no requirement to set up an Audit Panel.
- 3.14 The Secretary of State for Communities has approved the PSAA as a specified appointing person. Under the Act, the PSAA will be able to undertake a procurement exercise and appoint auditors for those councils opting in. The PSAA is developing the national appointment framework and they have issued a prospectus for local councils to consider.
- 3.15 It is considered that a sector wide procurement conducted by the PSAA will produce a more cost effective method of appointing future auditors. The benefits are considered to be as follows:
- Assurance that auditor appointments are completed in a proper and timely manner.
 - The independence of auditors is maintained.
 - More competitive pricing is likely to be achieved.
 - No procurement costs for individual councils.
 - It will save time and resources on setting up and administering Audit Panels.
- 3.16 The Local Government Association is leading on this work and a large number of councils have indicated that they will opt in. The Audit Sub-Committee, at its meeting on 14th December 2016, recommended that this is the option that is taken.
- 3.17 Under Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a decision to opt-in must be taken by the Full Council. It is planned that the PSAA will commence a formal procurement exercise from June 2017 in order to make appointments by December 2017, which is the statutory deadline.
- 3.18 To meet this timetable, the PSAA have requested that councils opt in by March 2017.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 The Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted/data.htm>