Report to the Council

Committee: Audit & Governance Date: 20 December 2016

Subject: Appointment of External Auditor

Chairman: Councillor J Knapman

Recommending:

(1) That the opting in by this Council to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of an External Auditor be approved.

- 1. As part of closing down of 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.
- 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.
- 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).
- 4. An invitation from the PSAA to opt in was received on 27 October and a response is required by 9 March 2017. The Audit & Governance Committee considered this issue at its meeting held on 28 November 2016, and concluded that a sector wide procurement conducted by PSAA was likely to produce better outcomes than any procurement undertaken by the Council alone, and would also be less resource intensive. Consequently, the Committee agreed that the use of the appointing person arrangements should be recommended to the Council for approval at its meeting on 20 December, as Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 required that such a decision must be made by the Council (authority meeting as a whole).
- 5. The main advantages of using PSAA are set out in its prospectus attached at Appendix 1, but can be summarised as:

- (a) assuring timely auditor appointments;
- (b) managing the independence of auditors;
- (c) securing highly competitive prices;
- (d) saving on procurement costs;
- (e) saving on the time and effort needed for auditor panels;
- (f) focusing on audit quality; and
- (g) operating on a not-for-profit basis; and
- (h) distributing any surplus funds to scheme members.
- 6. We recommend as set out at the commencement of this report.