

AUDIT COMMITTEE

18th January 2017

Appointment of External Auditor

Report of Chief Officer (Resources)

PURPOSE OF REPORT

To seek the Committee's backing for proposals to secure the future appointment of an external auditor for the Council and ask that the Committee recommends the proposals for approval by Full Council.

This report is public

RECOMMENDATIONS

- (1) **That the Audit Committee recommends 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.**

1.0 Background

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

2.0 Report

- 2.1 As part of closing the Audit Commission the Government novated external audit contracts to a newly established body, Public Sector Audit Appointments (PSAA) on 1 April 2015. At that point, external audit contracts 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.
- 2.2 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.
- 2.3 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).

2.4 The date by which authorities need to opt in to the appointing person arrangements has now been set as 9th March 2017 and, in accordance with the Regulations, the decision to become an opted-in authority must be taken by full Council. It is therefore proposed that this decision is referred for consideration by full Council at its meeting on 1st February 2017.

3.0 Details of Consultation

3.1 The Chief Officer (Resources) is a member of the Lancashire Chief Financial Officers group and has consulted on this matter with other Section 151 Officers. Sector advice and guidance on the matter has been provided by the Local Government Association.

4.0 Options and Options Analysis (including risk assessment)

4.1 **Option 1:** The objectives of the PSAA and the advantages of using it are set out in its prospectus (attached as Appendix A) and are summarised below.

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

4.2 A further document produced by the PSAA, setting out Frequently Asked Questions regarding the process and the appointing person role is attached as Appendix B.

4.3 **Option 2:** The alternative option to signing up to the service provided by the PSAA is for the Council to undertake its own, individual procurement exercise. Whilst this option would give the advantage of more direct control over the appointment, the advantages for the PSAA (listed above) can also be viewed as the disadvantages or risks associated with the Council undertaking its own procurement.

4.4 For reasons of efficiency in procurement and the minimisation of risk, the preferred option being recommended is to sign up to the service available via the sector-led body Public Sector Audit Appointments.

5.0 Conclusion

5.1 In accordance with the Local Audit and Accountability Act 2014, the Council is required to make a decision on its preferred arrangements for appointing an external auditor for the audit of the 2018/19 accounts onwards. The preferred option being recommended is to sign up to the service available via the sector-led body Public Sector Audit Appointments.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Risk Management:

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

FINANCIAL IMPLICATIONS

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 whether, or what, additional financial resource may be required for audit fees for 2018/19 onwards, although it is anticipated that any increase will be minimised through using PSAA.

SECTION 151 OFFICER'S COMMENTS

The report has been produced by the Chief Officer(Resources) in her capacity as Section 151 Officer; she has no further comments.

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

PSAA Prospectus

PSAA – Appointing Person – Frequently Asked Questions

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