

AUDIT COMMITTEE

24th January 2007

Appointment of External Auditors

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT

To inform the Committee of the Audit Commission's proposal to change the Council's external auditor.

This report is public

RECOMMENDATION

- (1) That the Committee note the proposed change to the Council's external auditor**
- (2) That the Committee note that following discussions with the Chair of the Committee, the Cabinet member with responsibility for Finance, and the Council's Section 151 officer, no objection to the proposal was made under the agreed consultation process.**

1.0 Introduction

- 1.1 The Council has recently been informed by the Audit Commission that it proposes to change the Council's external auditing arrangements. The Audit Commission has a statutory duty to appoint external auditors to local government under section 3 of the Audit Commission Act 1998. It may, after consultation, appoint either an officer from the Commission (District Audit) or a private firm. The Council is currently audited by the District Audit service but it is proposed that this arrangement will come to an end with the completion of the 2006/7 audit of accounts.
- 1.2 The independent appointment of external auditors is one of the fundamental principles of audit in the public sector and is a key feature of the governance and accountability arrangements for public services. The occasional rotation of auditors is seen as fundamental in retaining and demonstrating the independence and objectivity of the relationship.
- 1.3 The current arrangements of using District Audit have now been in place since the City Council was formed in 1974. Normally, auditors would be rotated after ten years. Consequently, it is now proposed to change the existing arrangements and appoint KPMG, a private firm, as the Commission's auditors for Lancaster City Council. The appointment would be for a period of 5 years initially commencing with the audit of the 2007/8 accounts.

- 1.4 The Commission believe that this appointment would provide an opportunity for a different approach and a fresh perspective. The commission are also proposing to appoint KPMG to Blackpool, Fylde, and Wyre councils. KPMG are already the appointed auditors for the Blackpool and North Lancashire PCTs.
- 1.5 As part of the proposed change, the Audit Commission must formally consult with the council prior to agreeing any changes. This consultation process ended in December. As a consequence of the timetable for the consultation exercise, the Chairman of the Committee, Cabinet member with responsibility for Finance, and the Section 151 officer, were all consulted. All agreed that whilst the current arrangements were working well and a good relationship had been established between the council and its auditors, there were no substantial grounds to formally object although the transition would need to be carefully managed and should add value to the current arrangements. The Audit Commission are also obligated to assist in the successful transition where the change of auditors is proposed and already have guidance arrangements in place for the formal handover of audits.
- 1.6 The outcome of the consultation will not be known until 22nd March 2007 with formal confirmation being given on 30th March.
- 1.7 The Committee is asked to note the proposed changeover.

CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report

FINANCIAL IMPLICATIONS

Not known at this stage but it unlikely that the change in auditors will result in any significant change to the current level of audit fees.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no comments to add

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add

BACKGROUND PAPERS

None

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