

APPOINTMENT OF EXTERNAL AUDITOR

1. Purpose

- 1.1 To inform the Audit Committee of the arrangements that have being recommended for the future appointment of the Council's external auditors.

2. Recommendations

- 2.1 Note the content of the report to Cabinet on 8 November 2016.
- 2.2 Make any comments that the Committee wishes to be reported to full Council on 7 December 2016.

3. Supporting Information

- 3.1 Cabinet will be receiving a report (attached) on 8 November 2016 with a follow on recommendation to full Council that AVDC opts into the Appointing Person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.
- 3.2 The Cabinet report provides background information to the new arrangements and on the main advantages of using PSAA.
- 3.3 Any comments / suggestions made by the Audit Committee will be reported verbally at the full Council meeting on 7 December 2016.

4. Options Considered and Resource Implications

- 4.1 These are both detailed in the Cabinet report.

Contact Officer: Andrew Small (01296) 585507
Background Documents: As detailed in the Cabinet report

REPORT TO CABINET ON 8 NOVEMBER 2016

APPOINTMENT OF EXTERNAL AUDITOR

Councillor Mordue

Cabinet Member for Finance, Resources and Governance

1 Purpose

- 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 Recommendations/for decision

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| 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. |
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3 Supporting information

- 3.1 As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audit appointments 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.
- 3.2 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.
- 3.3 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).
- 3.4 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 may be required before the Council meeting in February. As there is not a Council meeting in January it is important that this issue is considered by Council at the December meeting.
- 3.5 The main advantages of using PSAA are set out in its prospectus (attached as Appendix 1) and the key points are copied below; these may also be viewed as disadvantages should the Council 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.

4 Options considered

4.1 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.

5 Reasons for Recommendation

5.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

5.2 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 Cabinet is asked to make the recommendation above to Council.

6 Resource implications

6.1 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 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.