

Regulatory and Audit Committee

Title:	External Audit Appointments
Date:	Wednesday 9 November 2016
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Local members affected:	All

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Summary

The Council needs to make preparations for the appointment of its external auditors as the arrangements with Grant Thornton approach an end. The Council can make its own arrangements or make use of a framework being set up by Public Sector Audit Appointments (PSAA) the sector-led body established by the LGA.

The Regulatory & Audit Committee received an outline report on this subject at its last meeting on 21 September 2016 and raised a number of questions, particularly around the cost of the options available. This report is aimed at responding to those queries, although it is not possible to provide certainty on most aspects at this point in time.

The Council has now received the formal invitation to join the sector-led arrangements from PSAA and this along with accompanying further information from PSAA is attached as an appendix to this report.

Recommendation

To recommend to Full Council to opt in to the sector-led arrangements offered by Public Sector Audit Limited.

Supporting information to include the following if a decision is being requested:

- 1.0 The Council needs to make an external auditor appointment by 31 December 2017 at the latest. It has a choice over the approach to be taken, but now needs to decide which approach to take so that the necessary preparations can be made in a timely

manner. The Council can make its own arrangements, either alone or with other councils, or can make use of the sector-led arrangements approved by the Secretary of State.

2.0 Members of the Regulatory & Audit Committee wanted to understand more about the costs involved with the options available. The remainder of this report is largely aimed at providing some consideration of this matter.

3.0 It is worth pointing out at the outset that there can be little certainty over these matters as it involves future events. However, it is possible to make some informed judgements based on past experience. These are set out in the table below.

Issue	Local Appointment	Sector-led Body
Cost of establishing an Auditor Panel.	Need to advertise for the independent members of the panel and conduct suitability and selection process. Cost of advert and officer time to support the process, estimated to be in the regions of £2k. (largely existing costs)	Not applicable
Cost of running an Auditor Panel	Unlikely to pay allowances, but rather expenses of members. Officer time to support the process, which will be infrequent. Officer time (existing costs) of around £1k, plus expenses of a few hundred pounds.	Not applicable
Cost of preparing a specification for the audit arrangements	We have not had to do this in the recent past, so little direct experience. There may be template examples to use, but nonetheless it is still likely to take a fair amount of officer time to produce a suitable specification estimated at £5k (existing costs).	Not applicable / absorbed within contract price.
Cost of procuring the audit arrangements.	Would need to run a procurement exercise. A multi-year contract would be likely to exceed EU thresholds. Cost of necessary adverts, plus officer time to run the	Not applicable / absorbed within contract price.

	process. Estimated cost of officer time (£10 - 15k) (existing cost)	
Cost of contract management	Under our current audit arrangements there are regular liaison meeting with the auditors. This would be likely to be maintained. Would be insufficient in the case of dispute	As PSAA are unlikely to be close to the individual audit arrangements costs are likely to be similar to own arrangements. May be able to call on PSAA expertise in the event of dispute, plus some responsibility on PSAA to help resolve.
Cost of audit contract	Unable to tell ahead of procurement exercise. However, an individual player in the market is unlikely to have the same leverage as a consolidated approach. This is especially likely given that procurement will be taking place across the country in a similar timeframe.	Likely to be able to exercise more influence in the market place and therefore obtain keener prices.
Exit costs	Would depend on circumstances	Would depend on circumstances, but PSAA may carry some responsibility to resolve.
Expertise	We are inexperienced in carrying out such a procurement and therefore carry an increased risk of error/omission.	Will be able to call on expertise as necessary as the cost of doing so will be spread over many.

4.0 The prospectus set out by PSAA and included with the previous report to the Committee states the following: “There will not be a fee to join the sector led arrangements. The audit fees that opted-in bodies will be charged will cover the costs to PSAA of appointing auditors and managing the arrangements. We believe that audit fees achieved through large contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by opting into the PSAA offer, bodies will avoid the costs of their own procurement and the requirement to set up an auditor panel with independent members.”

5.0 It can be seen from consideration of the table above that the costs of carrying out a local procurement are unlikely to be very large and are mainly contained within existing resources, at least in theory. The main challenge would come from whether there is the

capacity to carry out this work alongside all existing work from within those existing resources.

- 6.0 In addition to the issue of capacity there is also an issue of expertise. PSAA are familiar with procuring and contract managing audit arrangements, whereas the Council is not. Having said that it is probably not the most complex of issues the Council has to deal with. Further it is likely that a fair amount of local contract management will be required in any event.
- 7.0 A further potential benefit of choosing the PSAA option is that they have undertaken to try to align audit appointments with joint arrangements and collaborations and to flex the audit appointments if those joint arrangements change over time.
- 8.0 In summary this would not be the largest, nor most complex procurement exercise carried out by the Council, although it does have a high profile impact. Looking at the analysis of likely costs and risks there is a marginal indication in all aspects considered towards making use of the sector-led arrangements rather than carrying out a local procurement. It is on this basis that the recommendation is made.
- 9.0 The Council has now received the formal invitation to join the sector-led arrangements from PSAA and this along with accompanying further information from PSAA is attached as an appendix to this report. The deadline for response has been set as 9th March 2017, which is a little later than the January deadline previously indicated. If the Council wishes to take up this invitation this has to be a decision of Full Council, hence the need to make a recommendation from this committee to Full Council.

Resource implications

Given the nature of this report resource implications are covered in the main body of the report.

Legal implications

The Local Authority Audit and Accountability Act 2014 requires that each relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year. Grant Thornton are appointed to be the auditors for Buckinghamshire County Council up until 2017/18 financial year. There a new appointment is needed by December 31 2017 for the financial year 2018/19.

The Secretary of State may choose to appoint a sector-led body to effectively carry out the functions of the auditor panel for an authority should that authority choose to adopt such arrangements. The Secretary of State has exercised this entitlement by appointing Public Sector Audit Appointments to be the sector-led body.

If the local authority chooses to appoint its auditors itself it must set up an Auditor Panel to carry out this role. The Auditor Panel can be a separate panel, or a committee of the Council provided that Committee meets the legal requirements for an Auditor Panel. The Auditor Panel can be established to service a single local authority, or a group of authorities. The Panel must have a majority of independent members (i.e. not elected Councilors) and be chaired by an independent member.

Background Papers

Previous report to Regulatory and Audit Committee on 21 September 2016.
