
SUBJECT:	Appointment of External Auditors
REPORT OF:	Director of Resources
RESPONSIBLE OFFICER	Rodney Fincham, Head of Finance
REPORT AUTHOR	Alistair Webb, 01494 732227, awebb@chiltern.gov.uk
WARD/S AFFECTED	All

Purpose of Report

- 1.1 To recommend to Full Council the preferred process for appointment of External Auditors from 2018/19 for an initial period of three years with the option to extend to five years.

RECOMMENDATION

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.

Reasons for Recommendation

- 1.2 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.
- 1.3 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.
- 1.4 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 the Audit Committee is asked to make the recommendation above to Council.

- 1.5 If the Council chooses not to opt in it will be required to establish an auditor panel and conduct its own procurement exercise. This would be more resource intensive and lose the potential bulk buying power of the sector led procurement. It is likely this could result in a more costly service.

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- 1.6 As part of closing the Audit Commission the Government moved 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.
- 1.7 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.
- 1.8 In July 2016 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).
- 1.9 The date by which authorities will need to opt in to the appointing person arrangements is 9th March 2017.
- 1.10 The main advantages of using PSAA are set out in its prospectus and are copied below. These can also be viewed as the disadvantages if the Council was to 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.

1.11 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.

Options.

1.12 The Council has a duty to appoint auditors in accordance with the Local Audit and Accountability Act 2014. The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

Options:

- Opt into the PSAA procurement process
- Carry out its own procurement process.

Links to Council Policy Objectives

1.13 This report relates to the objective of Delivering cost- effective, customer- focused services.

Next Steps

1.14 To refer to full Council.

Background Papers:

PSAA Prospectus