

## **APPOINTMENT OF THE LOCAL AUDITOR**

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Wards affected: All

### **PROPOSED DECISION:**

The Committee is asked to RECOMMEND to Full Council that the Local Auditor for the Council should be appointed by Public Sector Audit Appointments (PSAA) Limited which is the DCLG approved provider.

### **Appointment of External Auditors**

Independent audit is one of the cornerstones of public accountability that provides a level of assurance that taxpayers' money has been well managed, accounted for and properly expended.

The cost of the External Audit programme of work in 2015/16 was £69k which included £17k for the audit of the housing benefit subsidy, which will not be in scope for the work of the new Local Auditor and it is likely that an alternative contractor will need to be found to undertake this work.

### **Background**

Under the Local Audit and Accountability Act 2014, the Audit Commission which had previously managed the appointment of external auditor for local government bodies and health trusts was abolished and a new responsibility was enacted that enables local government bodies to manage the appointment of their own local auditor.

The Act also provided the option of a managed appointment process administered through a sector led body. Following a decision by the DCLG, Public Sector Audit Appointments Limited (PSAA) has been set up under the Act as an independent company limited by guarantee and approved as the sector led body for principal authorities( i.e. Councils, Police and Fire authorities) to appoint auditors.

In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, the decision for the Council to appoint its own local auditors or join a sector led approach must be made by Full Council and cannot be delegated.

Under Section 7 of the Act the appointment of a local auditor for the Council must be completed by 31<sup>st</sup> December 2017 and further appointments must be made at least once every 5 years. There are two routes available and the decision as to which route is followed must be made by Full Council. The two options are:

- To establish an auditor panel to advise on the appointment; this can be undertaken collaboratively by sharing a panel; or

- Join a sector led approach, using PSAA which has been appointed on a nationwide basis and which appoints a local auditor on the Council's behalf. PSAA was set up and appointed into this role in July 2016.

### **Establishing an Auditor Panel and Appointing a Local Auditor**

If the Sector led option is not taken, then an Audit Panel would be required to oversee the procurement of its own local auditor and would make its Recommendation to Full Council. The Audit Panel would then be required to continue to have a role in monitoring the following:

- Local Auditors performance, ensuring the Auditors independence and the dealing with any relationship issues that arise with members and officers.
- Local Audit (Auditor Independence) Regulations 2014 prescribe that an Auditor Panel must have a majority of independent, non-elected members and must be chaired by an independent non- elected member.
- The panel can be an existing committee or a sub-committee of an existing committing provided that the membership criteria outlined above are met.

However, under the Schedule to Local Audit (Appointing Person) Regulations specify that if as a Council, WDC opted to follow the Sector Led route and appointed PSAA, then there is no requirement to have an auditor panel as PSAA will have carried out the EU procurement on behalf of all Councils that have signed up. PSAA would then allocate the Local Auditor, probably on geographic areas. The fees paid for the audit service would include PSAA costs.

In summary, joining a Sector Led route is the least resource intensive option as we would be able to:

- 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.

In addition in the unlikely event that the relationship between the Council and the appointed Local Auditor breaks down then it would be for PSAA to intervene and replace the Local Auditor with another that has contracted with without the cost implications or interruption of service which might be encountered if the Council had contracted with a single supplier via its own procurement process.