

Report of	Assistant Chief Executive	Author	Steve Heath
Title	Appointment of External Auditor		 282389
Wards affected	Not applicable		

This report concerns the appointment of the Council's External Auditor for work on the audit of the accounts for 2018/19

1. Decision Required

- 1.1 To recommend to Full Council that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

2. Reasons for Decision

- 2.1 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.
- 2.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council. To comply with this regulation Cabinet is asked to make the above recommendation to Council.

3. Alternative Options

- 3.1 To establish an auditor panel and conduct our own procurement. This would 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.

4. Supporting Information

- 4.1 As part of closing the Audit Commission, the Government novated 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 up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 4.2 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.
- 4.3 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 owned by the Local Government Association's Improvement and Development Agency (IDeA).

- 4.4 The PSAA sent invitations to Authorities to opt in on 27 October and a response is required by 9 March 2017. Subject to Cabinet's agreement, the recommendation to opt in to the appointing person arrangements will be considered by Council on 22 February.
- 4.5 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.

5. Proposals

- 5.1 That the Council submit to the PSAA formal notice of acceptance of the invitation to become an opted-in authority for the purposes of the appointment of our external auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

6. Strategic Plan References

- 6.1 The objectives and priorities of the Strategic Plan inform all stages of the budget process.

7. Financial implications

- 7.1 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.

8. Risk Management Implications

- 8.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

9. Standard References

- 9.1 There are no publicity or consultation considerations; or equality, diversity and human rights; community safety or health and safety implications.

Background Papers

PSAA Prospectus

PSAA – Appointing Person – Frequently Asked Questions