

**APPOINTMENT OF EXTERNAL AUDITOR**

Committee: Council

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[R163]

1.0 **ISSUE**

1.1 Following the demise of the Audit Commission new arrangements are 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.

2.0 **RECOMMENDATION(S)**

2.1 It is recommended that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

3.0 **BACKGROUND/OPTIONS**

3.1 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 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 be required in February 2017.

3.5 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
- PSAA operate on a not for profit basis and distribute any surplus funds to scheme members.

3.6 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).

#### 4.0 ARGUMENTS/CONCLUSIONS

4.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertake 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. **It is therefore recommended.**

4.2 To establish an auditor panel and conduct our own procurement, 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.

#### 5.0 FINANCIAL IMPLICATIONS

5.1 As detailed above, it is expected that a sector wide procurement exercise will result in a lower cost for the Council, and reduced administration, when compared to undertaking a standalone process.

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| <u>Background Documents</u>  | <u>Location</u>               | <u>Contact Officer</u>   |
|--|-------------------------------|--|
| PSAA Prospectus<br>PSAA – Appointing Person<br>– Frequently Asked<br>Questions | Room 105<br>The Grange<br>Ely | Andy Radford<br>Resources, Director<br>(01353) 616269<br>E-mail:<br><a href="mailto:andy.radford@eastcambs.gov.uk">andy.radford@eastcambs.gov.uk</a> |