

25 January 2017

Ordinary Council

Arrangements for the appointment of External Auditors

Report of: *John Chance, Finance Director*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report summarises the arrangements for appointing external auditors for 2018/19 onwards when the transitional arrangements end following the abolition of the Audit Commission end in 2017/18.

2. Recommendation(s)

It is recommended that Ordinary Council:

- 2.1 Opts in to the national scheme run by Public Sector Audit Appointments Ltd for the appointment of the Council's external auditor for the five financial years beginning from 2018/19.**

3. Introduction and Background

- 3.1 The Audit Commission was abolished in 2014, and transitional arrangements were put in place for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. These arrangements are being overseen by Public Sector Appointments Ltd (PSAA), set up by the Local Government Association.
- 3.2 The Council needs to make arrangements for the appointment of its external auditor for the year 2018/19 onwards. There are three broad options open to the Council:-
- a) Option 1 - to establish a stand-alone auditor panel to make the appointment.
 - b) Option 2 - to establish a joint auditor panel with other local authorities

- c) Option 3 - opt in to a sector-led body, which would appoint local auditors under a national scheme.
- 3.3 PSAA has been given the role of “appointing person” by the Secretary of State in accordance with The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). Its Chief Officer, wrote to the Council on 27 October 2016 inviting it to become an opted in Authority in accordance with the Regulations. The closing date for receipt of notices to 'Opt in' is 9 March 2017.
- 3.4 This would involve the Council joining a national scheme for the appointment of external auditors (option 3). There is a compulsory opt in period for this scheme which is the five consecutive financial years beginning from 1 April 2018.
- 3.5 Under the scheme, PSAA would negotiate contracts with the major external audit firms under a collective procurement process and would appoint an auditor to all opted-in authorities. It would manage the contract with the auditor, monitor the independence of the auditor and deal with the replacement of any auditor if required.
- 3.6 Officers consider that opting in to this scheme is the best option for the Council for the following reasons:
- a) The collective procurement process is highly likely to achieve much more competitive audit fees than the Council negotiating as a stand-alone authority.
 - b) It avoids the requirement for the Council to establish either its own or a joint audit panel.
 - c) It transfers the procurement and subsequent contract management processes to an established, sector-led body that has the support of the Local Government Association.
 - d) It is in step with other Essex Councils, who have indicated their intentions to 'opt in'.
- a) This matter has been brought to this meeting of the Council because under the regulations, a decision to become an opted-in authority must be taken by the members of an authority meeting as a whole.

4. Implications

Financial Implications

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- 4.1 There are potential savings on the annual audit fee from joining the national scheme.

Legal Implications

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- 4.2 The statutory and regulatory background to this report is referred to in the body of the report.

5. Background Papers

- 5.1 Letter from PSAA dated 27 October 2016, inviting the Council to become an opted in authority held in the Finance department.

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