

HUNTINGDONSHIRE DISTRICT COUNCIL

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| Title: | External Audit – Public Sector Audit Appointments Ltd (PSAA) |
| Meeting/Date: | Corporate Governance Committee – 7 December 2016 |
| Executive Portfolio: | Councillor J A Gray – Executive Councillor for Strategic Resources |
| Report by: | Head of Resources |
| Ward(s) affected: | All Wards |

Executive Summary:

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.

Recommendation:

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

1. PURPOSE OF THE REPORT

- 1.1 To consider the options of appointing an external Auditor from 2018/19 and to make the recommendation to Council.

2. BACKGROUND

- 2.1 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 (DCLG).
- 2.2 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. OPTIONS FOR APPOINTING EXTERNAL AUDIT CONTRACT POST 2017/18

- 3.1 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).
- 3.2 Under the legislation each Local Authority has 3 options:
- i) Opt in to an approved sector led body (SLB) to be specific by DCLG to act as the Appointing Person on behalf of opted in Local Authorities.
 - ii) To establish an independent Audit Panel. The Panel must be made up of a majority of wholly independent members and must be chaired by an independent member.
 - iii) Establish a joint Auditor Panel to carry out the function on behalf of two or more bodies.
- 3.3 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
 - Focus on audit quality
 - Operate on a not for profit basis and distribute any surplus funds to scheme members.

- 3.4 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement undertaken by this Council 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.
- 3.5 The other Options have been considered and these are shown below:
- Option ii) To establish an Auditor Panel and conduct own procurement – this is not recommended as it will be a far more resource intensive process and without the economies of scale of the sector led procurement and would likely to result in a more costly service.
 - Option iii) To establish a joint Auditor Panel to carry out the function on behalf of 2 or more bodies – this is not recommended because following consultations with Cambridge City Council and South Cambridgeshire District Council there is little appetite for a joint procurement.
- 3.6 The date by which authorities will need to opt in to the appointing person arrangements is 9 March 2017. 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 this Committee is asked to make the recommendation to Council.

4. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 4.1 The appointment of an external Auditor is a statutory and legal requirement and links into the Corporate Plan by “Ensuring we are a customer focused and service led council delivering value for money services - Become more business-like and efficient in the way we deliver services”.

5. LEGAL IMPLICATIONS

- 5.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

6. RESOURCE IMPLICATIONS

- 6.1 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.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 It is likely that a sector wide procurement conducted by the PSAA will produce better outcomes for the Council than any procurement undertaken by the Council or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an Auditor Panel and conducting the procurement.

8. LIST OF APPENDICES INCLUDED

- 8.1 Appendix 1 – Invitation to opt in to the national scheme for Auditor appointments

CONTACT OFFICER

Clive Mason, Head of Resources

Tel No: 01480 388157

Clive.mason@huntingdonshire.gov.uk

Adrian Forth, Finance Manager

Tel No: 01480 388605

Adrian.forth@huntingdonshire.gov.uk