

Report to: **Audit Committee**
Date: **10th January 2017**
Title: **Appointment of External Auditor**
Portfolio Area: **Support Services – Councillor C Edmonds**

Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

That the Audit Committee:

1. Recommends to Council that West Devon Borough Council opts into the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

1. 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.

It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement the Council undertakes 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.

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 the Audit Committee is asked to make the recommendation outlined to Council.

The alternative is to establish an auditor panel and conduct the Council's own procurement. This 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.

2. Background

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.

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.

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).

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.

Resource Implications:

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.

Timescale

A form of notice of acceptance must be sent by the Council before the deadline of 5pm on Thursday 9 March 2017.

PSAA Frequently Asked Questions are attached in Appendix A. The timescales have since been clarified since the FAQ document was compiled, as stated in the sentence above.

Devon Position

It is likely that the majority of Devon Authorities will opt into the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.
Financial	Y	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.
Risk	Y	As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

Background Papers:

PSAA Prospectus

Supporting Information

Appendix A – PSAA Frequently Asked Questions (please note that timescales have changed since these were written)

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/a