

Appointment of External Auditor

Summary

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

Portfolio - Finance

Date Signed Off – 9 November 2016

Wards Affected

All

Recommendation

The Executive is advised 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.

1. Key Issues

- 1.1 The Council is required by law to have an external audit. It is not able to appoint any firm but only those approved by the Government.
- 1.2 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement it undertook by itself 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.
- 1.3 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 Executive is asked to make the recommendation above to Council.

2. Resource Implications

- 2.1 Currently this is done through a national procurement exercise and the cost is £41,900. An additional £8,430 is charged for certifying claims.
- 2.2 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. This procurement would not have the level of buying power that the Council would be able to lever through the PSAA.

3. Options

- 3.1 The Executive can approve or reject the recommendation to Full Council.

- 3.2 If the recommendation is rejected then the Council would be required to establish an auditor panel and conduct its 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. Proposals

- 4.1 It is proposed that the Executive RECOMMEND to FULL COUNCIL that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

5. Supporting Information

- 5.1 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.
- 5.2 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.
- 5.3 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).
- 5.4 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 may be required before the Council meeting in February hence the reason for bringing the paper now.
- 5.5 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.

5.6 This approach is supported by the LGA and over 200 Councils have signified their interest. This should ensure that maximum leverage can be gained on cost

6. Legal Issues

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

7. Risk Management

7.1 Use of PSAA minimises the risks inherent in undertaking our own procurement.

Annexes	None
Background Papers	PSAA Prospectus PSAA – Appointing Person – Frequently Asked Questions
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Consultations, Implications And Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		

Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version: