

APPOINTMENT OF EXTERNAL AUDITOR

SUMMARY AND RECOMMENDATIONS:

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.

Appointment of auditors for the 2018/19 financial year is required by 31 December 2017.

RECOMMENDATIONS: That Licensing and General Purposes Committee (i) recommends to Full Council that Rushmoor opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors and (ii) authorises the Head of Financial Services to sign the notice of acceptance on behalf of the authority, subject to the Full Council decision.

1. INTRODUCTION

- 1.1 When the Government closed the Audit Commission it novated external audit contracts to Public Sector Audit Appointments Limited (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.

2. BACKGROUND

- 2.1 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 either to undertake their own procurements or to opt in to the appointed person regime.
- 2.2 PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company limited by

guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements

- 2.3 All Local Authorities have now received an invitation to opt-in to the PSAA arrangements for a national scheme to appoint external auditors. A copy of the invitation is attached at Appendix A. The decision must be taken in accordance with the Regulations, i.e. by the Members of the authority meeting as a whole, and notice has to be given to PSAA of an authority's intention to opt-in by 9 March 2017.
- 2.4 The main advantages of using PSAA are set out 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.

3. DETAILS OF THE PROPOSAL

General

- 3.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement that the Council could manage 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.
- 3.2 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 Licensing and General Purposes Committee is asked to make the recommendation above to Council.

Alternative Options

- 3.3 To establish an Auditor Panel and conduct our 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.

Consultation

- 3.4 This Council is a member of the Society of District Council Treasurers, which has conducted consultation via its PSAA Advisory Board, and has consulted widely with Local Authority Section 151 Officers.

4. IMPLICATIONS

Risks

- 4.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

Legal Implications

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

Financial and Resource Implications

- 4.3 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until the procurement exercise is completed, it is not possible to estimate the final audit fee for the audit of accounts from 2018/19, although it should be remembered that the audit fees were significantly reduced during the transition arrangements from those previously payable via the Audit commission. It is also expected that economies of scale will mean that procuring via PSAA would be significantly less than procuring individually or through any smaller group of authorities.

5. CONCLUSIONS

- 5.1 Two courses of possible action in relation to the provision of external audit services have been discussed in this report. A sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement the Council could manage itself, or with a limited number of partners.

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BACKGROUND DOCUMENTS:

PSAA Prospectus & PSAA – Appointing Person – Frequently Asked Questions

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/>