



COUNCIL

13TH DECEMBER 2016

AGENDA ITEM (10)

APPOINTMENT OF EXTERNAL AUDITORS

Accountable Member	Councillor Lynden Stowe Leader of the Council
Accountable Officer	Jenny Poole Group Manager - Go Shared Services 01285 623313 jenny.poole@cotswold.gov.uk

Purpose of Report	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 local authorities to either opt into the appointing person regime or to establish an Auditor Panel and conduct their own procurement exercises.
CABINET Recommendation	That the Council opts into the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.
Reason(s) for Recommendation	It is likely that a sector-wide procurement conducted by Public Sector Audit Appointments (PSAA) will produce better outcomes for the Council than any procurement undertaken by the Council in isolation or with a limited number of partners. Use of PSAA will also be less resource intensive than establishing an Auditor Panel and conducting a separate procurement exercise. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by the Council. To comply with this regulation the Cabinet is asked to make a recommendation to the Council.

Ward(s) Affected	None
Key Decision	No
Recommendation to Council	Yes, from the Cabinet

Financial Implications	If PSAA is not used, some additional resource may be needed to establish an Auditor Panel and conduct a procurement exercise. Until either procurement exercise has been completed, it is not possible to state what additional resources may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.
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Legal and Human Rights Implications	The recommendations contained within this report should ensure compliance with the Local Audit and Accountability Act 2014.
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	As set out in the report. The use of PSAA minimises the risks inherent in undertaking the procurement.
Equalities Impact Assessment	Not Required

Related Decisions	The Audit Committee considered a report on Auditor Panels at the Meeting on 28 th June 2016. That Committee was supportive of using PSAA.
Background Documents	CIPFA/Department for Communities and Local Government publication "Guide to Auditor Panels" PSAA Prospectus PSAA - Appointing Person - Frequently Asked Questions
Appendices	None

Performance Management Follow Up	<p>(i) Implement Council decision(s).</p> <p>(ii) It is anticipated that invitations to opt in will be issued by PSAA in November 2016, and a response may be required before the Council Meeting on 21st February 2017. As there is no Council Meeting scheduled for January 2017, it is important that this issue is determined by Council at this Meeting.</p> <p>New auditor appointments for the 2018/19 accounts must be made under the provisions of the 2014 Act and must be confirmed by 31st December 2017. The aim is to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the December 2017 deadline.</p>
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Background Information	<p>1. As part of closing the Audit Commission, the Government novated external audit contracts to PSAA on 1st April 2015. The audit contracts 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 by the Department for Communities and Local Government (DCLG).</p> <p>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 procurement or to opt into the appointed person regime.</p>
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3. The Local Audit and Accountability Act 2014 ('the Act') established new arrangements for the audit and accountability of relevant authorities, including local authorities. These new arrangements include the ability of such bodies to appoint their own local public auditors via an Auditor Panel. This may be carried out individually or jointly with one or more other authorities.

4. The Secretary of State has decided to implement a phased introduction of the new local audit framework. Smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities (such as this Council) by 31st December 2017.

5. There was a degree of uncertainty around the appointed person regime until July 2016, when PSAA was 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).

6. The date by which authorities will need to opt into 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 on 21st February 2017. As there is no Council Meeting scheduled for January 2017, it is important that this issue is considered by the Council at its Meeting on 13th December 2016.

7. The main advantages of using PSAA are set out in its prospectus and are reproduced below:-

- 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.

8. Consultation Undertaken

8.1 The Group Manager GO Shared Services has consulted with colleague Chief Finance Officers across Gloucestershire and West Oxfordshire. All authorities are proposing to opt in to the appointed person process with PSAA.

8.2 The Council's Audit Committee has been consulted on the options for Auditor Panels and the appointed person process. The Committee was supportive of using PSAA for reasons of economy and efficiency.

8.3 The matter was considered by the Cabinet on 17th November 2016; and the Cabinet commended the recommendation as presented to Council for approval.

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