

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-010-2016/17**
Date of meeting: **28 November 2016**

Portfolio: **Governance & Development Management**

Subject: **Appointment of External Auditor**

Responsible Officer: **Bob Palmer** (01992 564279).

Democratic Services Officer: **Gary Woodhall** (01992 564470).

Recommendations/Decisions Required:

(1) 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.

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.

Reasons for Proposed Decision:

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

One of the specific functions of this Committee, as set out in the Constitution, is to be responsible for the appointment of the Council's external auditors and ensure it is in line with the requirements of the Local Audit and Accountability Act 2014.

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 Committee is asked to make the recommendation above to Council.

Other Options for Action:

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.

Report:

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.

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. 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).

4. An invitation from the PSAA to opt in was received on 27 October and a response is required by 9 March 2017. Subject to the agreement of this Committee, the recommendation to make use of the appointing person arrangements will be considered by Council on 20 December.

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.

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.

Legal and Governance Implications:

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

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

The Director of Resources is the representative of the Society of District Council Treasurers on the PSAA Advisory Board and has consulted widely with other Section 151 Officers.

Background Papers:

PSAA Prospectus

PSAA – Appointing Person – Frequently Asked Questions

Impact Assessments:

Risk Management

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

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

The report deals with the appointment of the Council's external auditors and will not affect any groups of people.