



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Appointment of External Auditor
Meeting of:	Council
Date:	5 th December 2016
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the Report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	
<p>Essential Signatories:</p> <p>ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE</p> <p>Monitoring Officer: Angela Wakefield</p> <p>Date Signature</p> <p>Chief Finance Officer: Sal Khan</p> <p>Date Signature</p>	

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Council

Date: 5th December 2016

REPORT TITLE: Appointment of External Auditor

PORTFOLIO: Leader / Finance

HEAD OF SERVICE: Sal Khan

CONTACT OFFICER: Lisa Turner **Ext. No. x1399**

WARD(S) AFFECTED: All

1. Purpose of the Report

- 1.1. To approve opting into the sector led procurement approach for the appointment of external auditors commencing from the financial year 1st April 2018, following scrutiny and recommendation by the Audit Committee in 29th November 2016.

2. Contribution to Corporate Priorities

- 2.1. An efficient and effective external audit underpins all corporate priorities.

3. Report

- 3.1 The Council's current external auditor is Grant Thornton UK LLP. This appointment was made under a contract let by the Audit Commission. The Local Audit and Accountability Act 2014 brought about the abolition of the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. The management of existing contracts was transferred to Public Sector Audit Appointments (PSAA).

- 3.2 PSAA is an independent, not-for-profit company limited by guarantee and established by the Local Government Association. It was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State.
- 3.3 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the existing contracts for a period of one year to include 2017/18. 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. The Act establishes the deadline for appointments is 31st December 2017.
- 3.4 In July 2016 PSAA were specified by the Secretary of State as an 'appointing person' under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. PSAA will make auditor appointments to relevant principal local government bodies that choose to opt-in to the national appointment arrangements for external audit from 2018/19.
- 3.5 The regulations require that authorities wishing to opt-in to this sector led scheme need to do so by resolution of Full Council. The date by which authorities will need to opt in to the appointing person arrangements is 9th March 2017.
- 3.6 The scope of public audit is wider than for private sector organisations. For example, in addition to the audit of accounts it involves forming a conclusion on the body's arrangements for securing value for money. For this reason, under the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council. Current indications are that fewer than 10 large firms will register, meaning that smaller local firms will not be eligible to be appointed to local public audit roles.
- 3.7 The main advantages of opting into the PSAA arrangements are set out below, with further details within its prospectus. These can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.
- Assured appointment of qualified, registered and independent auditors
 - Attract best audit suppliers
 - Management of the independence of auditors by a third party
 - Secure highly competitive prices through economies of scale
 - Save on procurement costs and contract management
 - Save time and the resource needed on auditor panels
 - Focus on audit quality and ongoing market development for the sector
 - Operated on a not for profit basis and distribution of any surplus funds to scheme members.
- 3.8 The alternative approach would be 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.

4. Financial Considerations

This section has been approved by the following member of the Financial Management Unit: Lisa Turner

- 4.1. The current schedule of external audit fees amounts to £60,494. As set out in paragraph 3.7 above, it is envisaged that a sector led approach to procurement will benefit from economies of scale and save on procurement and contract management costs.

5. Risk Assessment and Management

- 5.1. The main risks to this Report and the Council achieving its objectives are as follows:

- 5.2. **Positive** (Opportunities/Benefits):

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

- 5.3. At present, the risks do not need to be entered in the Risk Register.

6. Legal Considerations

This section has been approved by the following member of the Legal Team: Angela Wakefield

- 6.1. The report seeks to ensure compliance with the Local Audit and Accountability Act 2014 and Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, which requires that a decision to opt in to the sector led procurement process must be made by a meeting of the Council (meeting as a whole).

7. Equalities and Health

- 7.1. **Equality impacts:** The subject of this report is not a policy, strategy, function or service that is new. An equality and health impact assessment is not required.

8. Human Rights

8.1. There are no Human Rights issues arising from this report.

Sustainability (including climate change and change adaptation measures)

8.2. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) No

9. **Recommendation:**

9.1 That Council accepts PSAA invitation to 'opt in' to the sector led option for the appointment of external auditors for the financial years commencing 1 April 2018.

10. **Appendices**

Appendix 1 - PSAA Prospectus

Appendix 2 - PSAA – Appointing Person – Frequently Asked Questions