

Ward: **All**

The Appointment of External Auditors for Adur District Council and Worthing Borough Council

Report by the Chief Financial Officer

1.0 SUMMARY

- 1.1 This report summarises the changes to the arrangements for appointing external auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017-18 audits. 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.

2.0 BACKGROUND

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established the transitional arrangement of novating external audit contracts to Public Sector Audit Appointments Ltd (PSAA) on 1 April 2015. PSAA is an independent, not for profit company limited by guarantee, established by the LGA. The audit appointments 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.
- 2.2 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 means that when the current arrangements end on 31 March 2018 it will be necessary for authorities to either undertake their own procurements or to have opted in to the Appointed Person regime.
- 2.3 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).

2.0 BACKGROUND

2.4 The date by which authorities will need to opt in to the appointing person arrangements is not yet finalised but expected to be in spring 2017. However, it is anticipated that invitations to opt in will be issued in December 2016.

2.5 The main advantages of using PSAA are set out in its prospectus and are set out below; the Councils would not be able to lever in these advantages if the Councils decide to undertake their 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.

3.0 CONCLUSION

3.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Councils than any procurement we were to undertake 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.

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. To comply with this regulation the Joint Governance Committee is asked to make a recommendation to Council to opt in to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA).

4.0 LEGAL IMPLICATIONS

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

5.0 FINANCIAL IMPLICATIONS

5.1 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.

6.0 RECOMMENDATION

6.1 The Joint Governance Committee is asked to:

- (a) Recommend to the Councils that the Councils opt in to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

Local Audit and Accountability Act 2014

http://www.legislation.gov.uk/ukpga/2014/2/pdfs/ukpga_20140002_en.pdf

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015

Background Papers:

None

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