

## Appointing External Auditors

Council	<b>9 February 2017</b>
Report Author	<b>Director of Corporate Resources and s151 officer</b>
Portfolio Holder	<b>Cllr John Townend, Portfolio Holder - Finance and Estates</b>
Status	<b>For Decision</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Ward:	<b>All Wards</b>

### Executive Summary:

To propose acceptance of the offer to join the designated collective scheme for auditor appointments via Public Sector Audit Appointments Ltd (PSAA) to manage the appointment of external auditors and achieve best value.

### Recommendation(s):

1. That the Council agrees to accept the PSAA offer.
2. That delegated authority be given to the Section 151 officer to communicate the willingness of the Council to join the scheme and to enter into the contractual arrangements after a satisfactory examination/negotiation of terms & conditions is concluded.

### CORPORATE IMPLICATIONS

<b>Financial and Value for Money</b>	<p>The current contract for Audit services is with Grant Thornton and this will expire after the end of the 2017/18 Audit of the Annual statement of accounts.</p> <p>Scale charges are currently set by PSAA and the fee for 2015/16 was £66,296 which reflected a 25% reduction from 2014/15 charges in line with national targets.</p> <p>Fees are set annually and as there are no planned changes to the scope of work, the fees agreed for 2016/17 and published for 2017/18 remain at £66,296.</p> <p>These fees are contained within the annual budget of £107,500 for charges of this nature. Other fees included in the budget are for example the fee for carrying out the audit of the Housing Benefit claim which is negotiated separately with our auditors on an annual basis.</p>
<b>Legal</b>	<p>Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, and this report is helping to carry out that function.</p>

	The Local Audit and Accountability Act 2014 introduced the necessity for Local Authorities to establish an auditor panel and manage their own procurement.								
<b>Corporate</b>	Corporate priorities can only be delivered with robust finances. Both the draft budget and the level of reserves recommended in this report are believed to be sufficient to meet these priorities and develop Services.								
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy &amp; maternity. Only aim (i) of the Duty applies to Marriage &amp; civil partnership.</p> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td></td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.</p> <p>It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council, as a result a full equality impact assessment will be undertaken for any specific service changes where appropriate.</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
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<b>CORPORATE PRIORITIES (tick those relevant)✓</b>	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

<b>CORPORATE VALUES (tick those relevant)✓</b>	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

## 1.0 Introduction and purpose of report

- 1.1 The current contracts with external audit firms expire with the completion of the 2017-18 audits for local government bodies. The expiry of contracts will also mark the end of the

current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

- 1.2 Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

## **2.0 Background**

- 2.1 Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which administers the current audit contracts – see Annex 1. In this area, it is the successor to the Audit Commission, which closed on 31 March 2015.
- 2.2 PSAA has been designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views. The Local Government Association (LGA) is strongly supportive of this ambition, and it is believed that in excess of 200 authorities have already signalled their positive interest.
- 2.4 This offer from PSAA was examined by the Governance and Audit Committee on 7 December 2016 and Members agreed to accept the PSSA offer and to refer agreement to Council.

## **3.0 Timetable**

- 3.1 The PSAA planned sequence of events is: -

- Contract notice published 20 February 2017
- Closing date for receipt of notices to opt in 9 March 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

- 3.2 Contractual arrangements in the new scheme will be examined and agreed before the end of December 2017 in line with other PSAA activities.

- 3.3 Discussions have taken place with PSAA in respect of the possible creation of a single East Kent district and it has been provisionally agreed that the four district councils will have the same auditor appointed in the new arrangements. This will be confirmed as part of the examination of the national framework prior to auditor appointments in December 2017.

## **4.0 Risk Management**

- 4.1 The national framework will be subject to scrutiny at all levels to ensure it is acceptable to the council and all other authorities who choose to enter the scheme. This will ensure that the appropriate level of competence for auditors is assured.

- 4.2 In the event that there are onerous terms and conditions in the National Framework they will be reported back to the Governance and Audit Committee before any decision by the s151 officer is taken in respect of joining the scheme.

Contact Officer:	Tim Willis, Director of Corporate Resources and S151 Officer
Reporting to:	Madeline Homer, Chief Executive

### Annex List

<i>Annex 1</i>	PSAA Ltd information
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### Background Papers

Title	Details of where to access copy
Invitation to opt into the national scheme for auditor Appointments.	Website: <a href="http://www.psa.co.uk">www.psa.co.uk</a> Email to CE October 27, 2016

### Corporate Consultation

<b>Finance</b>	<i>Tim Willis, Director of Corporate Resources and S151 Officer</i>
<b>Legal</b>	<i>Tim Howes, Director of Corporate Governance</i>