

## **AUDIT AND GOVERNANCE COMMITTEE**

**30 September 2016**

### **PUBLIC SECTOR AUDITOR APPOINTMENTS**

#### **Report of the Director of Corporate Services**

#### **1. Purpose of Report**

- 1.1. In December 2015, the Committee received a report setting out the different options that are open to the Council for appointing External Auditors following the closure of the Audit Commission and the expiration of the current contract, the report is attached at Appendix 1 for information. This report reminds the Committee of the options and seeks the Committee's approval for the Director in consultation with the Chair of the Committee to make a recommendation to Council in this regard.

#### **2. Background**

- 2.1. The Council's contract with Mazars is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA). When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to a local appointment of the external auditor, although the Council has until December 2017 to appoint its external auditors. In reality, this means deciding on a process and implementing it by Spring 2017 in order for the appointment to be made in good time.
- 2.2. The report in December 2015 set out the routes by which this can be achieved and the varying risks and opportunities, in summary they are as follows:
  - Make a stand alone appointment  
In order to make a stand-alone appointment the Council will need to set up an Auditor Panel, the members of which must be wholly or a majority independent. For this purpose independent Members are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This could be a sub-committee of the current Audit and Governance Committee. A complex procurement process would then need to be undertaken by the Council.
  - Joint Auditor Panel/local joint procurement arrangements  
The Council can join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Feedback from local authorities in the region has confirmed there appears to be little appetite to enter into such an arrangement.

- Opt into a sector led body arrangement

Public Sector Audit Appointment Limited have been approved as a sector led body to procure and manage the relationship with auditors on behalf of any local authorities which decide to opt in to this arrangement. They will have the ability to award/negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Although this means that the Council will not be able to choose its own auditor and it will have to make a decision on whether or not to opt into this arrangement before the contract prices are known, the costs of the process will be shared across all authorities involved and offering large contract values to firms should result in better rates than from an individual local procurement exercise.

### **3. Next Steps**

- 3.1. At this time the preferred approach is to opt into the sector led body arrangement, the decision on this has to be made at a full Council meeting before the end of the calendar year. As the position of other regional LA's will become clear over the next few months, and due to the tight timescales involved the Committee is asked to agree to the Director of Corporate Services in consultation with the Chair of the Committee to take a report to Council making a recommendation having taken account of the regional position.

### **4. Recommendations**

- 4.1. Members are asked to agree that the Director of Corporate Services in consultation with the Chair of the Committee make a recommendation to Council.