
Public Sector Audit Appointments – Summary Report

Committee considering report:	Governance and Ethics Committee on 28 November 2016
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	10 November 2016
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Forward Plan Ref:	GE3209

1. Purpose of the Report

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and the established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18 and this will be undertaken by our current external auditors KPMG LLP until then.
- 1.2 The purpose of this report is to provide Members with the opportunity to discuss the merits of West Berkshire Council opting into the national scheme for auditor appointments for the financial year 2018/19 onwards.

2. Recommendation

- 2.1 Members are requested to approve the decision to accept the invitation and to opt in to the national scheme for auditor appointments. Opting in to a national scheme provides maximum opportunity to limit the extent of any increases in cost by entering in to a large scale collective procurement arrangement.

3. Implications

- 3.1 **Financial:** The scheme is said to be run in a way that will save time and resources for Local Government bodies. They are proposing that a collective procurement on behalf of all opted-in authorities will enable them to secure the best prices, keeping the cost of audit as low as possible, without compromising on audit quality.
- 3.2 **Policy:** N/A
- 3.3 **Personnel:** N/A
- 3.4 **Legal:** N/A
- 3.5 **Risk Management:** N/A

3.6 **Property:** N/A

3.7 **Other:** N/A

4. Other options considered

4.1 Using this scheme will avoid the Council having to:

- establish an audit panel with independent members;
- manage our own auditor procurement and cover its costs;
- monitor the independence of our appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with our auditor.

5. Executive Summary

5.1 Following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits, the Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

5.2 Members are requested to consider their preferred approach of the options set out below:

- a) Support the national scheme for auditor appointments, by indicating intention to opt-in. The National scheme would have the ability to 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.
- b) Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council. The members of the panel must be wholly or a majority independent members as defined by the act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract to for the Council's external audit.
- c) Commence work on exploring the establishment of local joint procurement arrangements with neighbouring authorities. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- d) The Council can use an existing independent panel of the authority (this will only be applicable where a suitably constituted panel already exists).

5.3 The cost of establishing a local or joint Auditor panel outlined in options b) and c) will need to be estimated and included in the Council's budget for 2017/18 and there maybe some costs in the current year. This will include the cost of recruiting independent appointees (members), servicing the panel, running a bidding and

tender evaluation process, letting a contract and paying members fees and allowances.

- 5.4 Opting in to a national scheme provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. There will not be a fee to join the national scheme, the audit fees that opted in bodies will be charged by the sector led body will cover the costs of appointing auditors. The Local Government Association believes that audit fees achieved through block contracts will be lower than the costs that individual authorities will be able to negotiate. In addition by using this national scheme the Council will avoid having to do their own procurement and the legal requirement to set up a panel of independent members.

6. Conclusion

- 6.1 The Council have until December 2017 to make an appointment of external auditors and the Committee are being requested to give early consideration to their preferred approach. The officer recommendation would be to approve the opting in of the National Scheme.
- 6.2 The member recommendation will need to go to full Council, members are requested to ask full Council to consider and endorse the Government and Ethics committee's decision.

7. Appendices

- 7.1 Appendix A – Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C - Invitation to opt into the national scheme for auditor appointments.