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# Public Sector Audit Appointments

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<b>Committee considering report:</b>	Governance and Ethics Committee on 13 February 2017
<b>Portfolio Member:</b>	Councillor Anthony Chadley
<b>Date Portfolio Member agreed report:</b>	26 January 2017
<b>Report Author:</b>	Lesley Flannigan
<b>Forward Plan Ref:</b>	C3211

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## 1. Purpose of the Report

- 1.1 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.
- 2.2 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

## 3. Implications

- 3.1 **Financial:**  
The scheme 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:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

#### 4. Other options considered

- 4.1 Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council. The members of the panel must be made up of wholly or a majority of 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.
- 4.2 The recruitment and servicing of the Auditor Panel, running the bidding process and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and members allowances. The Council also will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

## 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:
- (1) 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.
  - (2) 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.
  - (3) 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).
- 5.3 The costs of establishing a local or joint Auditor panel have been estimated at £15k, added to this will be member's allowances and expenses for the independent members (this will be dependent upon the number appointed). This additional cost will need to be included in the Council's budget for 2017/18 and there maybe some costs in the current year. This budget will include the cost of recruiting independent appointees (members), servicing the panel, running a bidding and tender evaluation process, letting a contract and paying member's allowances and expenses.
- 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 the cost of 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. If the Council would like to accept the invitation of the PSAA they would need to opt in by the 9<sup>th</sup> March 2017. The officer recommendation would be to approve the opting into 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**

Appendix A – Supporting information

Appendix B – Equalities Impact Assessment

Appendix C – Invitation to opt into the national scheme for auditor appointments.

Appendix D – List of opted in Authorities to PSAA

Appendix E – The prospectus of PSAA

Appendix F – Procurement Strategy