

APPOINTMENT OF EXTERNAL AUDITOR**AUDIT COMMITTEE
MEETING DATE 2016/17****18 January 2017****CLASSIFICATION:****[Click Here To Select](#)****If exempt, the reason will be listed in the
main body of this report.****WARD(S) AFFECTED****All Wards****GROUP DIRECTOR****Ian Williams Group Director Finance & Corporate Resources**

1. INTRODUCTION AND PURPOSE

Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor appointment panel and conduct their own procurement exercise. This report sets out and recommends that the Council opt in to the appointing person arrangements.

2. RECOMMENDATION(S)

To recommend to Full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors

3. REASONS FOR DECISION

It is likely that a public sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook 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.

Regulation 19 of the Local (Appointing Persons) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation Audit Committee is asked to make the recommendation above to Council.

4. BACKGROUND

As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The contracts 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.

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 meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.

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 were originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Governments Association's Improvement and Development Agency (IDeA).

It has been confirmed that the date by which authorities will need to opt in to the appointing person arrangements is 9th March 2017 and hence this report to January Audit Committee in order that the January Council meeting can consider the recommendation ahead of this deadline,

The main advantages of using PSAA are set out in its prospectus (see Appendix 1) and are summarised below. The converse of these can be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- Assure timely auditor appointments
- Manage independence of auditors
- Secure highly competitive prices
- Save on procurements 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.

4.1 Policy Context

The recommendation within this report helps to ensure that resources continue to be used efficiently and that resources available to maintain frontline services are maximised.

4.2 Equality Impact Assessment

This report deals with the appointment of the Council's external auditors and will not affect any groups of people

4.3 Sustainability

Not applicable

4.4 Consultations

The PSAA has consulted widely with s151 Officers within London and across the country.

4.5 Risk Assessment

As set out in this report, use of the PSAA minimises the risks inherent in undertaking our own procurement.

5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

If PSAA is not used additional resources would likely be required 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 would be required for audit fees for 2018/19 and the years beyond, although it is anticipated that any increase will be minimised through using PSAA.

6. COMMENTS OF THE DIRECTOR OF LEGAL

- 6.1 The Local Audit and Accountability Act 2014, section 9 requires each Authority to have an auditor panel to exercise the required functions of an auditor panel under the Act.
- 6.2 The functions include providing advice to the authority on maintaining an independent relationship with its auditor and on selection and appointment of its auditor taking into account guidance issued by the Secretary of State regarding the exercise of the auditor panel functions.
- 6.3 The process as set out in this report and the Appendix will ensure compliance with the Local Audit and Accountability Act 2014.

APPENDICES

1 - PSAA Prospectus

BACKGROUND PAPERS

None

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