

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Mark Dickenson Head of Resources	<i>Fwd Plan Ref no.</i> -	
<b>Wards Affected</b>	All	14 <sup>th</sup> December 2016	
<b>Title</b>	<b>PROCESS FOR EXTERNAL AUDITOR APPOINTMENT</b>		

**Portfolio Holder – Cllr L Thurland**

### **1. PURPOSE OF REPORT**

This Report seeks a decision from Council on the process for appointing external Auditors from 2018/19 as required by Regulation 19 of the Local Audit (Appointing Person) Regulations 2015.

### **2. BACKGROUND**

- 2.1. Following the disbandment of the Audit Commission, the Government moved the responsibility for the external audit contracts to Public Sector Audit Appointments (PSAA) on 1 April 2015. The audit contracts were due to expire following the conclusion of the 2016/17 accounts, but they could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 2.2. 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 national procurement process known as the appointed person regime.
- 2.3. The Local Audit and Accountability Act 2014 required authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.
- 2.4. 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.
- 2.5. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 2.6. The date by which authorities will need to opt in to the appointing person arrangements is 9<sup>th</sup> March 2017. Auditors will be appointed for a period of five years where authorities have opted to use PSAA.

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2.7. The main advantages of using PSAA are summarised below;

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

2.8. The main disadvantages of not using PSAA are summarised below;

- Less competitive prices – owing to economies of scale
- Increased procurement costs
- Resource intensive – without producing better outcomes
- Increased time and effort needed on auditor panels

2.9. It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement undertaken by individual authorities 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 – indications are that all the Northamptonshire authorities will be procuring their audit services using PSAA.

2.10. If PSAA is not used some additional resource may be needed 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 may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

2.11. The process as set out above and the recommendation ensure compliance with the Local Audit and Accountability Act 2014.

### **3. RECOMMENDATIONS**

**That Council approve** to opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/19.

Background Papers:

Previous Reports/Minutes:

Title of Document:

Ref:

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