

	REPORT TO CABINET TO BE HELD ON				
	<table> <tr> <td>Key Decision</td> <td>YES</td> </tr> <tr> <td>Forward Plan Ref No</td> <td>N/A</td> </tr> </table>	Key Decision	YES	Forward Plan Ref No	N/A
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Corporate Priority All	<table> <tr> <td>Cabinet Portfolio Holder</td> <td>Cllr. Helen Mallory</td> </tr> </table>	Cabinet Portfolio Holder	Cllr. Helen Mallory		
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REPORT OF: DIRECTOR (NE) – 16/286

WARDS AFFECTED: ALL

SUBJECT: APPOINTMENT OF EXTERNAL AUDITOR

RECOMMENDATION (S):

Cabinet is asked to recommend that:

Full Council opts-in to the ‘appointing person arrangements’ made by Public Sector Audit Appointments (PSAA) for the future appointment of the Council’s external auditors.

REASON FOR RECOMMENDATION (S):

The sector wide procurement conducted by PSAA will be truly independent and less resource intensive than establishing an auditor panel and conducting our own procurement process for the appointment of External Auditors.

Regulation 19 of the Local Audit (Appointing Person) 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 Cabinet is asked to make recommendations to Council.

RISK MANAGEMENT

The Council is required to have appropriate external auditors. A sector-led body to negotiate contracts would undertake the due diligence and other associated requirements for contract tendering and negate the need for an independent auditor appointment panel.

1. INTRODUCTION

- 1.1 As part of closing the Audit Commission the Government novated external audit contracts to the PSAA (1 April 2015). These external audit arrangements were due to expire following conclusion of the 2016/17 audit of 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.
- 1.2 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 regime to appoint external auditors (subject to specific rules and regulations) or to opt in to nationally lead 'appointed person regime'.
- 1.3 In July 2016 the Secretary of State specified the PSAA as being an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The PSAA, sometimes referred to as the sector led body, has wide support across most of local government for the appointment of external auditors to authorities.
- 1.4 The PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 1.5 The date by which authorities will need to opt in to the appointing person arrangements is 9 March 2017.

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

- 2.1 This report affects all of the Council's Corporate Objectives.

4. CONSULTATION

- 4.1 A report was presented to the Audit Committee on the 30 June 2016 (16/147) noting that the Director (NE) has expressed an interest on behalf of the Council to opt-in to the sector-led body approach for the appointment of External Auditors.
- 4.2 The Chairman of the Audit Committee is aware of this report and is supportive of its recommendation to Full Council.

5. ASSESSMENT

- 5.1 The Audit and Accountability Act 2014 sets out the criteria for the Independent Auditor Panel should the procurement regime be selected. The criteria are;

- (a) The panel must be made up from a majority or wholly independent members.
- (b) The Chair must be an independent member. (This means that the panel must consist of at least 3 if not 5 members).
- (c) Members of the Panel must not have been a member or officer of the Council within 5 years.
- (d) Members of the Panel cannot be an officer or member of an entity associated with the Council within 5 years.
- (e) Members of the Panel cannot be a close relative or friend of a member or officer of the Council.

5.2 Setting up an independent audit panel just for Scarborough Council will be difficult based upon the criteria that need to be met for panel members.

5.3 Joining with other councils to set up a joint independent Auditor Panel. The criteria again may make this not practicable depending on which Council's joined together. Unless there were reciprocal arrangements between different groups.

5.4 The main advantages of using PSAA are:

- 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.

5.5 Should Council agree to use the PSAA to appoint external auditors notification has to be given by 9 March 2017. Local authorities will remain on current appointment contracts for external auditors until the completion of the 2017/18 audits. This means new appointments will need to be made by 31 December 2017.

6. IMPLICATIONS

6.1 Policy

It is the policy of the Council that Full Council has to approve the appointment of its external auditors.

6.2 Legal

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

6.3 **Financial**

If PSAA is not the selected route for appointing External auditors additional resources will be required to establish an auditor panel and commence the procurement exercise. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19.

The adoption of the PSAA will minimise any cost increase.

6.4 **Equalities and Diversity**

None

6.5 **Staffing Implications**

None

6.6 **Planning Implications**

None

6.7 **Crime and Disorder Implications**

None

6.8 **Health and Safety Implications**

None

6.9 **Environmental Implications**

None

7. **ACTION PLAN**

- 7.1 Subject to approval Officers will give notice to the PSAA of its acceptance to become an opt-in Authority by 9 March 2017.

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Nick Edwards
Director

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Background Papers:

Progress on Appointing of External Audit (16/147) as reported to the Audit Committee on 30 June 2016.

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT THE AUTHOR.

