

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	7 SEPTEMBER 2016
SUBJECT OF REPORT:	PROCUREMENT OPTIONS – EXTERNAL AUDIT
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	JEFF WRING – HEAD OF AUDIT WEST
KEY DECISION:	NO

RECOMMENDATIONS:

That the Audit Committee supports the recommended option for the future procurement of External Auditors to the Council by Public Sector Audit Appointments Limited.

SUMMARY OF REPORT

The report sets out the legislative background and options for the future provision and procurement options for the External Auditors to the Council. The report recommends we use a national sector led-approach to maximise value for money and associated benefits on quality of service.

1. POLICY

There is a statutory obligation to have an external auditor of the council's accounts and an effective auditor is widely recognised as a core component of effective governance as laid out in best practice from a number of professional bodies. The Audit Committee therefore has a key role in advising the council on the adequacy of its external audit arrangements and supporting the S151 Officer in carrying out the Council's statutory duties in this area.

2. DETAILS

The Local Audit & Accountability Act 2014 put in place the framework which will allow local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms. The Audit Commission was also responsible for standard setting and overseeing the National Fraud Initiative.

In August 2010, the then Secretary of State for Communities and Local Government announced that the Audit Commission would be abolished. His stated aims were to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.

As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded

to Grant Thornton, KPMG, Ernst & Young and Mazars. The new contracts commenced in 2012 and saved over £25M nationally in audit fees each year.

The Audit Commission itself closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association (LGA).

Following substantial lobbying from the LGA and other bodies the government recently announced that the transitional arrangements for principal authorities would be extended for a further year until April 2018.

Health bodies and smaller local government bodies will however still need to appoint their own external auditors from April 2017.

The one year extension has been welcomed by the LGA along with the government's decision to allow councils to come together to continue to procure audit services through a sector led organisation (PSAA).

Whilst the Act allows councils to appoint their own auditor or to make a joint appointment with neighbouring councils, this change in approach by the government is likely to mean the majority of councils avoid the need to establish an auditor panel and undertake their own procurement exercise.

Some bodies will however see advantages in making their own arrangements. These include full control and ownership over the process and the ability to reflect local circumstances. Larger councils may also feel they will be able to secure a better price if they can attract a high level of interest although there is no evidence to support this. Each council would also need to set aside additional resources to set up an auditor panel, prepare their own specification, run the procurement exercise, appoint the auditor and monitor performance and quality through the duration of the contract.

Those councils who wish to make their own appointment whether jointly or on their own will need to start planning within the next few months as any appointment must be confirmed by December 2017 and the procurement exercise will take time and significant cost.

Within the local government sector the vast majority of Councils have already expressed a preference to join a sector led procurement exercise from PSAA and it is the recommendation of the S151 Officer and Head of Audit that North Somerset Council should also follow this option. A provisional expression of interest has already been made to PSAA to indicate our inclusion in the national exercise.

There are no resources available to carry this exercise out on our own and there are very clear financial and quality benefits by following the recommended option which should also help the major firms to also plan their resources and bids more effectively.

The Audit Committee is asked to support this recommendation so that arrangements can be finalised in the next few months to confirm our approach to securing our involvements in the sector led exercise by PSAA.

3. CONSULTATION

The report has been issued to the S151 Officer (Head of Finance and Property).

4. FINANCIAL IMPLICATIONS

The detailed financial implications are not yet available as PSAA are still assessing the scale of the required procurement exercise and its associated costs. Previously this service was provided as part of the role and responsibilities of the Audit Commission and there was no direct cost.

5. RISK MANAGEMENT

An effective External Auditor demonstrates one aspect of good governance on behalf of the Council and the wider Community. This helps to ensure that the Council is delivering good value to its residents from its services and is managing its key risks appropriately.

6. EQUALITY IMPLICATIONS

There are no specific equality implications.

7. CORPORATE IMPLICATIONS

Good Corporate Governance and Risk Management is the responsibility of all officers and Members of the Council.

8. OPTIONS CONSIDERED

As laid out in the report section 2.

AUTHORS

Jeff Wring Head of Audit West

01275 884750

jeff.wring@n-somerset.gov.uk

BACKGROUND PAPERS

Members requiring further information are requested to refer to the agenda, reports and minutes of the Committee meetings posted on the council's website.