

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	6 SEPTEMBER 2017
SUBJECT OF REPORT:	PROCUREMENT UPDATE – EXTERNAL AUDIT
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	JEFF WRING – HEAD OF AUDIT WEST
KEY DECISION:	NO

RECOMMENDATIONS:

That the Audit Committee supports the recommendation from PSAA Ltd for the future appointment of External Auditors to the Council.

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 the external auditor nominated by PSAA Ltd.

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.

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

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).

Last year the Audit Committee reviewed the procurement options and recommended that we join with the vast majority of Councils in a sector led procurement exercise from PSAA and this was endorsed by full Council.

About the proposed appointment

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

As North Somerset Council has opted into PSAA's auditor appointment arrangements we have received regular updates about this process, and PSAA wrote to the Council recently to advise us that they had completed a procurement to let audit contracts from 2018/19. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor of North Somerset Council for a period of five years from April 2018.

In developing this appointment proposal, PSAA have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

Further information on the [auditor appointment process](#) is available on the PSAA website.

The S151 Officer is now being asked to confirm the appointment by 22nd September 2017 and the Committee are asked to support the proposal so the S151 Officer can confirm the decision. PSAA will then confirm the process nationally by 21 December 2017.

Further to this PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on their website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17.

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 but a reduction in audit fees is expected.

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

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BACKGROUND PAPERS

Report to Audit Committee 7th September 2016

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