

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards None	Mandatory	Be entirely within Cabinet's powers to decide	NO	
		Need to be recommendations to Council	YES	
		Is it a Key Decision	NO	
Lead Member: Cllr Daubney E-mail: cllr.Nick.Daubney@West-Norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Kate Littlewood E-mail: kate.littlewood@west-norfolk.gov.uk Direct Dial: 01553 616252		Other Officers consulted: Lorraine Gore, Assistant Director (s151 Officer) Management Team		
Financial Implications YES	Policy/Personnel Implications YES	Statutory Implications YES	Equal Impact Assessment NO	Risk Management Implications YES

Date of meeting: 25th October 2016

Changes to arrangements for appointment of External Auditors

Summary

To consider a proposal for the new arrangements to appoint external auditors.

Recommendation

To recommend the intention to “opt-in” to the procurement process by Public Sector Audit Appointments Ltd (PSAA), as the national Sector Led Body (SLB).

Reason for Decision

To comply with the requirements of the Local Audit and Accountability Act 2014.

1.0 Background

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established PSAA to manage the transitional arrangements for the appointment of external auditors and the setting of audit fees for local government. These transitional arrangements have been extended by one year to also include the audit of the accounts for 2017/18.
- 1.2 The Council's current external auditor is Ernst & Young, who were appointed for the audit year 2012/13. The final year of audit under the existing arrangement is 2016/17. When the current transitional arrangements come to an end on 31 March 2018 the Council will need to have a new auditor in place.
- 1.3 Not all accounting firms will be eligible to compete for the work. They will need to demonstrate that they have the required skills and experience, and be registered with the Institute of Chartered Accounts for England and Wales

(ICAEW) who are the Registered Supervising Body approved by the Financial Reporting Council. It is unlikely that small local independent firms will meet the eligibility criteria.

- 1.4 Previous external audit contracts have included Grant Certification work that audits the benefits administered on behalf of the Department for Work and Pensions (DWP). The new contracts will only cover the audit of the accounts. Arrangements for the Grant Certification work are being developed by DWP with the support of PSAA.

2.0 Options Considered

- 2.1 There are a number of routes by which the appointments can be made, each with varying risks and opportunities:
1. To make a stand-alone appointment
 2. Set up a Joint Auditor Panel/local joint procurement arrangements
 3. Opt-in to a sector led body (SLB)
 4. Do Nothing (Not recommended)
- 2.2 Audit Committee considered the four options and recommend to 'opt-in' to the procurement process by the Sector Led Body (SLB). The link to the report considered by the Audit Committee is provided in the Background papers section of this report.
- 2.3 On 22nd July 2016 PSAA was specified by the Government to become the SLB authorised to make future audit appointments on behalf of principal local authorities.
- 2.4 As such the PSAA will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. In a recent survey, 58% of local authority respondents expressed an interest in this option and recent discussions with the other Finance Officers in Norfolk have indicated that this is their preferred option.

3.0 Policy Implications

This will be a new method of appointing external auditors and must be seen to be an independent process.

4.0 Financial Implications

The option chosen will affect the costs incurred by the selection process and potentially the level of fees charged by the external audit. It is anticipated that by opting-in to the national process that economies of scale can be achieved.

5.0 Personnel Implications

There are no personnel implications

6.0 Statutory Considerations

Local Audit and Accountability Act 2014:

Sec 7 – a local authority must appoint an auditor no later than December of the preceding year

Sec 8 – governs the procedure to appoint and specifies that the Full Council must appoint.

Sec 12 – where a local authority fails to appoint an auditor, the Secretary of State will appoint one.

Sec 17 - gives the Secretary of State the ability to enable a Sector Led Body (SLB) to become the appointing person.

7.0 Equality Impact Assessment (EIA)

There are no equality implications.

8.0 Risk Management Implications

There is no immediate risk to the Council. However, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

9.0 Declarations of Interest / Dispensations Granted

None required.

10.0 Supporting Information

The following web links provide Members with useful guidance and information:

CIPFA 'Guide to Auditor Panels'

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

PSAA Corporate Plan 2015-18

<http://www.psaa.co.uk/about-us/what-we-do/corporate-plan-2015-2018/>

Local Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents>

11.0 Declarations of Interest / Dispensations Granted

None

12.0 Background Papers

Audit Committee report on the Changes to Arrangements for the Appointment of External Auditors can be found at:

<http://democracy.west-norfolk.gov.uk/mgchoosedocpack.aspx?id=1477>



Pre-Screening Equality Impact Assessment

Name of policy/service/function	Arrangements for appointment of External Auditors				
Is this a new or existing policy/ service/function?	New				
Brief summary/description of the main aims of the policy/service/function being screened. Please state if this policy/service rigidly constrained by statutory obligations	To comply with the Local Audit and Accountability Act 2014, new arrangements have to be made for the appointment of external auditors following the closure of the Audit Commission and the expiry of the current external audit contracts.				
Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			✓	
	Disability			✓	
	Gender			✓	
	Gender Re-assignment			✓	
	Marriage/civil partnership			✓	
	Pregnancy & maternity			✓	
	Race			✓	
	Religion or belief			✓	
	Sexual orientation			✓	
	Other (eg low income)			✓	
Question	Answer	Comments			
2. Is the proposed policy/service likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?	No				
3. Could this policy/service be perceived as impacting on communities differently?	No				
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	No				
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	No	Actions:			
		Actions agreed by EWG member:			
Assessment completed by: Name Kate Littlewood					
Job title Audit Manager	Date 6/9/16				