

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	31 st July 2017		
TITLE:	Grant Certification External Audit Appointment		
TYPE OF REPORT:	Scrutiny		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Kathy Woodward, Shared Internal Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

<p>PURPOSE OF REPORT/SUMMARY:</p> <p>To provide the Audit Committee with an overview of the required process for appointing external auditors in relation to the Grant Certification work. This work primarily covers auditing the Housing Benefit Subsidy claim and does not form part of the arrangements previously agreed for the general external audit appointment process.</p>
<p>KEY ISSUES:</p> <p>The Local Audit and Accountability Act (2014) (the Act) introduced the necessity for Local Authorities to establish an auditor panel and manage their own procurement from 2018/19.</p> <p>Under the new regulations, the Authority opted to join a national collective scheme, led by PSAA (Public Sector Audit Appointments) Ltd, for the appointment of auditors.</p> <p>However, PSAA's audit contracts from 2018/19 will not cover certification work, such as for housing benefit subsidy claims, as PSAA has no power under the Local Audit and Accountability Act 2014 to make certification arrangements.</p> <p>This report includes the options for consideration by the committee.</p>
<p>OPTIONS CONSIDERED:</p> <p>There are two options available for the appointment of auditors for certification work:</p> <ol style="list-style-type: none"> 1. Authorities can make the appointment through a normal procurement process, or 2. Authorities can directly approach the auditor appointed by PSAA to also conduct the certification work.
<p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> 1. To suspend Contract Standing Orders as noted within the report in order to appoint the same auditor for the grant certification work as is appointed by the PSAA for the general audit work. 2. To delegate to the Section 151 Officer the authority to negotiate and enter into a contract with the preferred supplier for the grant certification work, for the same term as the contract awarded through PSAA.
<p>REASONS FOR RECOMMENDATIONS:</p> <p>To ensure a route is in place for appointment of external auditors for completion of grant certification work required for 2018/19.</p>

REPORT DETAIL

1. Introduction

- 1.1 The Local Audit and Accountability Act (2014) (the Act) introduced the necessity for Local Authorities to establish an audit panel and manage their own procurement of external auditors from 2018/19.
- 1.2 Under the new regulations, the Authority opted to join a national collective scheme, led by PSAA (Public Sector Audit Appointments) Ltd, for the appointment of auditors.
- 1.3 Progress to date with this procurement has resulted in six lots being awarded to various firms, see following link:

<http://www.psaa.co.uk/press-release-procurement-of-audit-services-delivers-outstanding-results/>
- 1.4 PSAA have confirmed that these contracts will cover a five-year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two-year period, to a total of seven years, if it chooses to do so.
- 1.5 In due course the PSAA will begin a consultation process leading to the appointment of named audit firms to each individual authority, with all appointments being finalised by 31 December 2017.

2. Grant Certification Work

- 2.1 PSAA's audit contracts from 2018/19 **will not cover** certification work, such as for housing benefit subsidy claims, as PSAA has no power under the Local Audit and Accountability Act 2014 to make certification arrangements. Any certification work required by grant paying government departments will need to be undertaken using a tripartite agreement between an audited body, an audit firm and the grant paying body, under instructions prepared by the grant paying body.
- 2.2 The Department for Work and Pensions (DWP) is developing its arrangements for housing benefit subsidy claim certification from 2018/19 on this basis. Where applicable, Local Authorities (LAs) will appoint an auditor for this certification work (for which an auditor panel is not required) and may choose to use the same auditor appointed by PSAA for the audit of the accounts, if they are opted-in bodies.
- 2.3 A DWP circular has been issued to LAs highlighting that the DWP will need to have been notified of the HB auditor by 28th Feb 2018. The DWP will not support the procurement exercise therefore the LAs will be subject to their own constitution and their standing financial instructions (SFI) and/or scheme of delegation (SoD) to procure the service.

3. Options

- 3.1 There are two options available for the appointment of auditors for certification work:
1. Authorities can make the appointment through a normal procurement process, or
 2. Authorities can directly approach the auditor appointed by PSAA to also conduct the certification work.

- 3.2 Option one is discounted as it would be costly to run a full procurement exercise and it may lead to a different auditor being appointed.

Option two is proposed as the preferred option.

- 3.3 The audit firm that PSAA appoints to each Local Authority will be confirmed by 31st December 2017, with an initial term of five years, with the option to extend by a further two years.

- 3.4 The Authority could then directly approach this firm to procure the necessary grant certification services, for the same term. This would provide a more efficient audit service with all work being carried out by the same auditor.

- 3.5 In order to do this, however, the Authority would need to make an exception to its Contract Standing Orders. The Contract Standing Orders allow for exemptions to be made in certain circumstances.

- 3.6 *BCKLWN - Contract Standing Orders - Exceptions*

43. Exemptions from these Standing Orders are provided for in the Constitution. An exemption allows a contract to be placed by direct negotiation with one or more suppliers. Exemptions may be granted if they fall within one of the following categories:-

43.4. The Executive Director decides that special circumstances make it appropriate and beneficial to negotiate with a single firm or that a single tender be invited. This will include occasions when it can be established that there is only a single source available or where the Executive Director or his/her designate can demonstrate that best value for the Authority can be better achieved by not tendering.

- 3.7 The council has a planned spend for 2017/18 of £23,460 on grant certification work.

- 3.8 In the interim the council will need to pull together their requirements in order to negotiate terms & conditions for the grant certification work.

4. Recommendations

- 4.1 To suspend Contract Standing Orders as noted within the report in order to appoint the same auditor for the grant certification work as is appointed by the PSAA for the general audit work.
- 4.2 To delegate to the Section 151 officer the authority to negotiate and enter into a contract with the preferred supplier for the grant certification work, for the same term as the contract awarded through PSAA.

5. Background Papers

The Local Audit and Accountability Act (2014)
DWP HB Circular S1/2017 HB Subsidy Claims 18/19

