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| <b>AUDIT COMMITTEE</b>  | AGENDA ITEM No. 5    |
| <b>21 NOVEMBER 2016</b> | <b>PUBLIC REPORT</b> |

|                                  |   |              |
|----------------------------------|---|--------------|
| Cabinet Member(s) responsible:   | Councillor Seaton: Resources Portfolio Holder |              |
| Committee Member(s) responsible: | Councillor Fuller: Chair of Audit Committee   |              |
| Contact Officer(s):              | John Harrison, Corporate Director: Resources  | Tel. 452 398 |

## **APPOINTING PERSON ARRANGEMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR**

| R E C O M M E N D A T I O N S   |   |
|---|---|
| <b>FROM</b> : Corporate Director: Resources   | <b>Deadline date</b> : 16 December 2016<br>(next Council meeting) |
| Audit Committee is asked to recommend to Council that:  |   |
| <ol style="list-style-type: none"> <li>1. The adoption of Public Sector Audit Appointments Ltd (PSAA) as the appointing person for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements; and</li> <li>2. To delegate acceptance of the invitation to the Corporate Director: Resources, as the Council's Section 151 Officer.</li> </ol> |   |

### **1. ORIGIN OF REPORT**

- 1.1 This report is submitted to Audit Committee in line with reviewing the arrangements for the appointment of External Audit as set out in the terms of reference.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 This report sets out the options available to the Council regarding the adoption of an appointing person arrangement for the appointment of an external auditor for 2018 /2019 and later years.
- 2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.1.8 To liaise with the PSAA over the appointment of the Councils external auditor".

### **3. TIMESCALE.**

|   |           |   |   |
|---|-----------|---|---|
| Is this a Major Policy Item/Statutory Plan? | <b>NO</b> | If Yes, date for relevant Cabinet Meeting | – |
|---|-----------|---|---|

### **4. BACKGROUND**

- 4.1 The Audit Commission closed in March 2015. The Council's current auditor appointment was made under audit contracts previously let by the Audit Commission and now managed by PSAA under transitional arrangements. These audit contracts will end under the completion of the 2017 / 2018 audit.

4.2 A new appointing person arrangement is required, so that the appointment of an external auditor for the accounts of 2018 / 2019 and later years can be made.

## 5. OPTIONS FOR THE APPOINTING PERSON ARRANGEMENT

5.1 New appointments for the 2018 / 2019 accounts must be made under the provisions of the Local Audit and Accountability Act 2014 (the Act), and confirmed by 31 December 2017. There are three options available to the Council for appointing an auditor:

- **OPTION 1:** To undertake an individual auditor procurement and appointment exercise;
- **OPTION 2:** To undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
- **OPTION 3:** To join a “sector led body” arrangement where specified appointing person status has been achieved under the relevant Regulations.

5.2 For the first two options, the legislation requires an Auditor Panel to be established. Requirements include:

- At least three members, two of which must be independent;
- A majority of independent members; and
- An independent chairperson.

5.3 The Council could set up its own Auditor Panel; set up a Panel with one or more other authorities; use an existing Committee or Sub-Committee, providing that the requirements above are met; or ask another Council's Panel to carry out the functions on its behalf.

5.4 Guidance on Auditor Panels has been issued by CIPFA for local government bodies. The guidance includes a table of advantages and disadvantages of the different ways an Auditor Panel could be set up. This table is reproduced at Appendix A for information.

5.5 Option 3 requires the Secretary of State for Communities and Local Government to specify a person to appoint a local auditor to opted-in authorities (also known as a sector-led body).

5.6 PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018 / 2019 of principal authorities that choose to opt into its arrangements.

5.7 Over 200 authorities have indicated their interest in the PSAA's scheme, which is currently being designed to reflect authorities' needs and views. The scheme will be an authorised national scheme which will take full responsibility for local auditor appointments and aim to ensure a high quality professional service and value for money.

5.8 The PSAA intends that the scheme will save time and resources for Councils and avoid the necessity to establish an auditor panel and manage their own auditor procurement. Assuming a high level of participation, the scheme should be able to attract the best audit suppliers and command competitive prices.

5.9 Moreover, the scheme will aim to appoint the same auditors to bodies which are involved in formal collaborations and joint working initiatives. It is known that a number of councils across Cambridgeshire have expressed an interest in this scheme.

5.10 Based on the information presented, option 3 is recommended.

5.11 We expect that invitations to opt in will be issued before December 2016, with at least 8 weeks being given in which to respond. The PSAA aim to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the 31 December 2017 deadline.

5.12 The Local Audit (Appointing Person) Regulations 2015 require that the Council may only make the decision to opt into the appointing person arrangement by the members of the Council meeting as a whole. This report therefore asks Audit Committee to recommend to Full Council that the PSAA's invitation is accepted.

## **6. CONSULTATION**

The report has been referred through Corporate Management Team to inform as part of the future budget proposals.

## **7 ANTICIPATED OUTCOMES**

The Council obtains the value for money as part of its appointment of external audit.

## **8. REASONS FOR RECOMMENDATIONS**

Approval is required from Audit Committee prior to its referral to Full Council for ratification.

## **9 ALTERNATIVE OPTIONS CONSIDERED**

Options set out in Appendix A provide details of alternative routes.

## **10 IMPLICATIONS**

This report contains no specific financial implications.

## **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- None.

## **APPENDICES**

Appendix A: Advantages / Disadvantages of Audit Panel arrangements

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