

AUDIT COMMITTEE	AGENDA ITEM No. 5
25 SEPTEMBER 2017	PUBLIC REPORT

Report of:	Marion Kelly - Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Service Director - Financial Services	Tel. 384564

RESPONSE TO PUBLIC SECTOR AUDIT APPOINTMENT'S PROPOSAL TO APPOINT ERNST & YOUNG LLP AS EXTERNAL AUDITORS FOR 5 YEARS FROM 2018/19

RECOMMENDATIONS	
FROM: Marion Kelly - Interim Corporate Director of Resources	Deadline date: 25 September 2017
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Confirm to Public Sector Audit Appointments that it is satisfied with the appointment of Ernst & Young LLP as external auditors for 5 years from 2018/19 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is for Audit Committee to:

- Consider whether to make a representation to Public Sector Audit Appointments on the proposed appointment of Ernst & Young LLP as external auditors for 5 years from 2018/19.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No.

2.2.1.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

- 4.1 The Council has opted into PSAA's auditor appointment arrangements.
- 4.2 In June 2017 PSAA completed a procurement to let audit contracts from 2018/19. Ernst & Young LLP was successful in winning a contract in the PSAA procurement, and PSAA now propose appointing them as the auditor of Peterborough City Council.
- 4.3 The principles used by PSAA in developing this proposal are:
- ensuring auditor independence, as PSAA is required to do by Regulation 13 of the Local Audit (Appointing Person) Regulations 2015
 - meeting PSAA's 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.
- 4.4 Ernst & Young LLP are already appointed as the Council's auditors to the end of 2017/18.
- 4.5 On 14 August 2017 PSAA emailed the Council proposing to appoint Ernst & Young LLP as auditors for a further 5 years. The deadline for responses was originally 22 September 2017 but this has been extended by Public Sector Audit Appointments to enable the Audit Committee to consider its response.
- 4.6 Audit fees will be determined by PSAA in accordance with a national scale.

5. ANTICIPATED OUTCOMES OR IMPACT

- 5.1 The confirmation of Ernst & Young LLP as auditors for 5 years from 2018/19.

6. REASON FOR THE RECOMMENDATION

- 6.1 There are no conflicts of interest currently identified in relation to Ernst & Young LLP's appointment.
- 6.2 The proposed appointment would provide continuity and allow an efficient audit process by building on the auditor's understanding of the Council and its accounting and systems. The Corporate Finance Team have conversely developed an understanding of Ernst & Young LLP's audit approach and working paper requirements. Ernst & Young LLP are also the proposed auditor for Cambridgeshire and Peterborough Combined Authority and there is efficiency potential accordingly.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 If the Committee was not satisfied with the proposed appointment a representation may be made to PSAA on any of the following grounds:
1. there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
 2. there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
 3. there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.
- 7.2 The appointment of Ernst & Young LLP is not considered to be unsatisfactory on any of the grounds set out in 7.1 above.

8. IMPLICATIONS

Financial Implications

8.1 The cost of audit is already budgeted in the MTFS.

Legal Implications

8.2 None.

Equalities Implications

8.3 None.

9. BACKGROUND DOCUMENTS

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

9.1 In November 2016 Audit Committee agreed:

1. The adoption of PSAA as the appointing person for the Council, subject to a satisfactory invitation to opt into the PSAA#s appointing person arrangements: and
2. To delegate acceptance of the invitation to the Corporate Director: Resources, as the Council's Section 151 Officer.

9.2 Council Constitution
Appointing Person proposal 15 August 2017
The Local Audit (Appointing Person) Regulations 2015

11. APPENDICES

11.1 None

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