

Audit Committee

20th July 2017



Report of:	Director of Finance
Title:	External Auditor Appointment Process – Update
Ward:	City-Wide
Officer Presenting Report:	Melanie Henchy-McCarthy/Alison Mullis, Head of Internal Audit
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Recommendation

The Audit Committee note the updated position regarding the process for appointment of external auditors including the timescales for challenging any appointment made.

Summary

This report provides an update to Members regarding the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

The significant issues in the report are:

- a) The procurement process, timetable and arrangement to make representations if necessary. Paragraph 4 details.



Policy

The Council must appoint an External Auditor to comply with the requirements of Section 7 of the Local Audit and Accountability Act 2014 (the Act).

Consultation**1. Internal**

Interim Chief Internal auditor, S151 Officer, Strategic Leadership Team, Cabinet Member for Finance, Governance & Performance, Audit Committee.

2. External

None

3. Context

3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. Current transitional arrangements include the audit of the accounts for 2017/18 by the Council's current external auditors – BDO Ltd. New auditors will be appointed for the audit for 2018/19 going forwards. The External Auditor will be appointed for a period of five financial years beginning 1st April 2018.

3.2 A report was presented to the Audit Committee at its meeting on 25th November 2016 setting out the options for procuring an External Auditor. Audit Committee recommended and Full Council subsequently endorsed that the Council opt into the sector led body - Public Sector Audit Appointments – (PSAA) arrangements for procurement of External Auditors as a cost effective method of appointment.

4. Update: PSAA Procurement Process

4.1 The supplier selection stage ran from 16 February to 21 March 2017. Nine potential suppliers were invited by PSAA to tender.

4.2 The tender period was from 6 April to 10 May 2017. Eight responses were received and then evaluated by PSAA. This was completed on 25th May 2017.

4.3 A strategy and approach for the auditor appointment, allocation and consultation has been agreed by the PSAA Board. The key principles for allocation of firms to authorities will include:

- Auditor independence
- Meeting contractual commitment
- Accommodating joint/shared working arrangements as far as possible
- Ensuring a blend of authority types for each firm
- Taking account of a firm's principal location
- Continuity of audit firm, if possible

4.4 During the period 20th July 2017 to 14th August 2017, audit firms will be consulted to confirm their position on independence issues for each opted-in public sector body before PSAA can consult audited bodies on proposed appointments.

- 4.5 Between 14th August and 22nd September 2017, the Council will be consulted on the proposed firm selected to deliver its external audit service. If the Council is content with the appointment, no further action is needed. If the Council wishes to make representations against the proposal, it will need to do so in writing during this consultation window. The PSAA will consider all representations and will consult with the Council regarding a revised appointment. However, the PSAA Board will make the final decision.
- 4.6 Possible reasons for making a representation include:
- There is an independence issue, of which PSAA had not been informed;
 - There are formal and relevant joint working arrangements, of which PSAA had not been informed; or
 - There is another valid reason, for example, being able to demonstrate a history of receiving inadequate service from a particular firm.
- 4.7 The PSAA will review and consult on any representations. Following this, the Council has another window to make further representations (between 10th and 24th November 2017) before the PSAA Board approves all appointments on 14th December 2017.
- 4.8 The Council will receive confirmation of the external auditors appointed on 18th December 2017.
- 4.8.1 The following table summarises the appointment timetable.

Activity	Target date
Prepare schedule of proposed appointments	12 th July 2017
PSAA Board approve proposed appointments	19 th July 2017
Consult firms on proposed schedule of appointments	20 th July – 14 th August 2017
Consult audited bodies on proposed appointment	14 th August – 22 nd September 2017
Review any representations and consult and consult on proposed alternative appointment (iteration 1)	23 rd September – 27 th October 2017
Review any representations and consult and consult on proposed alternative appointment (iteration 2)	28 th October – 27 th November 2017
PSAA Board approves appointments	14 th December 2017
PSAA issues appointment confirmation letters	18 th December 2017
Consultation on proposed scale fees (see below)	October 2017 – January 2018
Scale fee approved by PSAA Board and confirmed	By 31 st March 2018
Start date for auditor appointments for 2018/19	1 st April 2018

5. Fee Setting Process

- 5.1 The 2018/19 fees will be determined by the prices achieved in the auditor procurement process. The PSAA will pool the scheme costs and charge fees to audited bodies in accordance with a

scale of fees which has regard to size, complexity and audit risk, most likely as currently evidenced by audit fees for 2016/17.

- 5.2 Firms must seek the PSAA approval to charge more or less than the scale fee. Variations are only expected to occur where the audits risks are significantly different from those identified in the national audit framework and reflected in the previous years' fees.
- 5.3 An update regarding the appointment of an External Auditor will be brought to September's Audit Committee.

Proposal

6. That the Committee note the procurement process and timetable including the timescales for challenging the appointments made.

Other Options Considered

- 7 Not applicable. Options were considered by Audit Committee at their meeting on 25th November 2016 and endorsed by full Council in December 2016. Opting in to the PSAA procurement process was selected.

Risk Assessment

8. There is no immediate risk to the Council. The Council is required to appoint an external auditor and the decision to opt into this scheme was made on the basis that it would deliver a cost effective procurement solution and should secure a favourable audit fee. The process enables the Council to make representations should it not be satisfied, for valid reasons, with the appointed external auditor.

Public Sector Equality Duties

- 9a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic

that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

10b) No equalities assessment necessary for this report.

Legal and Resource Implications:

Legal - N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

- None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- Public Sector Audit Appointments Web Page.