



AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 16TH FEBRUARY, 2017

At 5.00 pm

in the

COUNCIL CHAMBER - GUILDHALL,

SUPPLEMENTARY AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
4.	<u>APPOINTMENT OF EXTERNAL AUDITORS</u> To consider the presentation.	3 - 6

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Agenda Item 4

Report Title:	New Audit Arrangements
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance)
Meeting and Date:	Audit Performance and Review Panel 16 February 2017
Responsible Officer(s):	Russell O'Keefe Strategic Director of Corporate and Community Services, Rob Stubbs Head of Finance.
Wards affected:	All

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Royal Borough
of Windsor &
Maidenhead

REPORT SUMMARY

1. KPMG will present the new arrangement and options for the appointment of Auditors for the audit of the 2018/19 accounts to the Audit and Performance Review Panel on 16 February 2017.
2. This paper sets out procurement options, that include the option of accepting an offer from the Public Sector Audit Appointments (PSAA) board which can only be carried out with the agreement of full Council.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Audit, Performance and Review Panel note the report and:

- i. Offers a preference on procurement route for the appointment of auditors for the audit of the 2018/19 accounts to be recommended to Council on 21 February 2017.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. 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.
- 2.2. For audits of the accounts from 2018/19, PSAA will be able to appoint an auditor to relevant principal authorities that choose to opt into its national collective scheme. Appointments for 2018/19 must be made by 31 December 2017. PSAA have issued an invitation to opt in to the appointing person scheme and the closing date for acceptance is 9 March 2017.
- 2.3. The option to join the scheme is open to all principal local authorities of which there are 493. At the time of writing this report 262 had opted in. The alternative options are:
 - Roll forward incumbent: A short term option of maybe one or two year.

- Stand-alone tender: The Council would tender for its own service through its own procurement process.
 - Combined tender: A collaborative procurement with one or more other authorities.
- 2.4. Implementing any option other than using PSAA requires a recommendation from an independent audit panel. That panel would need to also take oversight over any non-audit services provided by the auditor. The panel must have an independent (unelected) Chair and a majority of independent members.
- 2.5. The Chief Finance Officer and Section 151 Officer recommends to Audit Panel that the Royal Borough join PSAA. This recommendation is made on the basis that it maintains low procurement costs and audit fees. See table 1 for options for appointing an auditor.

Table 1: Options for Appointing an Auditor

Option	Comments
Use PSAA The recommended option.	Potentially lowest cost of procurement, audit fees and audit panel. Least discretion over auditor.
Roll forward current auditor (KPMG).	Short term continuity. Could allow for tendering when market is more settled. May limit opportunities for collaborative tendering.
Tender for an auditor itself.	Highest discretion over approach. Costs for running procurement process and establishing audit panel.
Tender for an auditor in collaboration with one or more other authorities.	Potentially shared procurement costs, shared audit panel. Less control over approach.

3. KEY IMPLICATIONS

Table 2: Implications of new audit arrangements

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
2018/19 audit costs including procurement cost and set up of audit panel as a % of 2017/18.	>110%	95% - 110%	90% - 95%	<90%	September 2019

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 There may be financial implications for each of the appointment options. However there is insufficient information to quantify them at this time.

5. LEGAL IMPLICATIONS

- 5.1 Council is following its own governance arrangements and legislation by bringing this paper initially to the Audit Performance and Review Panel.

6. RISK MANAGEMENT

Table 3: *Risks of future audit appointments*

Risks	Uncontrolled Risk	Controls	Controlled Risk
That audit costs would be higher in future.	High	Council could use a competitive tender process or accept the PSAA offer.	Medium
That the Council would have no control over choice of auditor	High	Council could avoid using the PSAA option	Low

7. POTENTIAL IMPACTS

- 7.1 None

8. CONSULTATION

- 8.1 None

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The timetable in table 4 is based on the appointment of an auditor for the 2018/19 accounts. This would move on by 1 or 2 years if the agreement with KPMG was extended.

Table 4: *Timetable of appointments*

Date	Details
9 March 2016	Closing date for receipt of notices to opt in to PSAA
20 February 2017	Contract notice published
By end of December 2017	Consult on and make auditor appointments

10. APPENDICES

- 10.1 None

11. BACKGROUND DOCUMENTS

- 11.1 None.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Saunders	Lead Member for Finance	07/02/17	09/02/17
Councillor Rankin	Deputy Lead Member for Finance	07/02/17	
Alison Alexander	Managing Director	06/02/17	06/02/17
Russell O'Keefe	Strategic Director	06/02/17	
Andy Jeffs	Interim Strategic Director	06/02/17	07/02/17
Rob Stubbs	Section 151 Officer	06/02/17	06/02/17
Terry Baldwin	Head of HR	06/02/17	

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No
Report Author: Richard Bunn, Chief Accountant, 01628 796510	