

Report Title:	New Audit Arrangements
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Council 30 March 2017
Responsible Officer(s):	Russell O'Keefe Strategic Director of Corporate and Community Services
Wards affected:	All

REPORT SUMMARY

1. The closure of the Audit Commission on 31 March 2015 heralded the start of the process of devolving the responsibility for making external audit appointments to all local public bodies including all local authorities.
2. Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association, manages the existing appointments under the transitional arrangements which, for local government sector bodies, are now due to end at the conclusion of the 2017/18 audits.
3. The Royal Borough's external auditors (KPMG) presented the new arrangements and options for the appointment of auditors for the audit of the 2018/19 accounts to the Audit and Performance Review Panel.
4. This paper sets out procurement options that include the option of accepting an offer from the Public Sector Audit Appointments (PSAA) which can only be carried out with the agreement of full Council.
5. The Audit and Performance Review Panel recommended to Council that the offer from PSAA should be accepted.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Council note the report and:

- i. Approves RBWM opting in to the appointing person scheme allowing PSAA to manage auditor appointments for the audit of the 2018/19 accounts.

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. 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. Auditor appointments for 2018/19 must be made by 31 December 2017.

- 2.2. 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 local authorities had opted in. The alternative options, all of which require the appointment of an independent auditor panel, are:
- Roll forward incumbent: A short term option of maybe one or two years.
 - 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.
- 2.3. 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.
- 2.4. It was recommended 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 Recommended option.	Potentially lowest cost of procurement, audit fees and audit panel. Least discretion over auditor, but can offer a preference.
Roll forward current auditor (KPMG). Not recommended	Short term continuity. Could allow for tendering when market is more settled. May limit opportunities for collaborative tendering.
Tender for an auditor itself. Not recommended	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. Not recommended	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	>110%	95% - 110%	90% - 95%	<90%	September 2019

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
panel as a % of 2017/18.					

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 and to full Council for final approval.

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 The Audit, Performance and Review Panel met on 28 February and recommends to Council that PSAA be appointed as our preferred procurement route for the appointment of the auditors for the audit of the 2018/19 accounts. The panel also recommended that PSAA be informed that the Council expects that the appointed auditors be of the same standard and quality as our incumbent auditors with a preference to retain KPMG.

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 to be 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 The new arrangements for the audit and accountability of local public bodies are set out in the [Local Audit and Accountability Act 2014](#).

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Saunders	Lead Member for Finance	14/03/17	
Councillor Rankin	Deputy Lead Member for Finance	14/03/17	
Alison Alexander	Managing Director	11/03/17	12/03/17 Comments throughout
Russell O'Keefe	Strategic Director	11/03/17	12/03/17
Andy Jeffs	Interim Strategic Director	11/03/17	
Rob Stubbs	Section 151 Officer	10/03/17	11/03/17
Terry Baldwin	Head of HR	11/03/17	

REPORT HISTORY

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