

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

31 January 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 APPOINTMENT OF EXTERNAL AUDITORS

To recommend to full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

1.1 Introduction

1.1.1 The Local Audit and Accountability Act 2014 (the Act) introduced a new decentralised audit regime where councils could appoint their own external auditors and manage their own audit arrangements.

1.1.2 The Act brought to a close the Audit Commission and established transitional arrangements whereby Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association, is responsible for the appointment of external auditors and the setting of audit fees.

1.1.3 When the transitional arrangements come to an end on 31 March 2018 there are three broad options open to the Council which in summary are:

- Stand-alone appointment – to make a stand alone appointment the Council must set up, consult and take into account the advice of an independent auditor panel. The panel to consist of a majority of independent members (or wholly of independent members) and must be chaired by an independent member.
- Joint Independent Auditor Panel – join with other councils to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent members.
- Opt-in to a Sector Led Body (SLB) – the SLB to be appointed by the Secretary of State. The SLB to negotiate contracts and make the appointments on behalf of councils, removing the need to set up an independent auditor panel. PSAA has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015.

- 1.1.4 The Audit Committee have considered this issue on a number of occasions, most recently on 23 January 2017, where on each occasion, assuming the same conclusion is reached at the January meeting, the *Opt-in to a Sector Led Body* is seen as the preferred option.
- 1.1.5 Why the SLB is seen as the preferred option? It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or jointly. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement. To establish an auditor panel and conduct our own procurement will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.
- 1.1.6 The formal invitation to opt-in to the appointing person arrangements made by PSAA was received on 27 October 2017 with a closing date of 9 March 2017. The length of the appointing period is the five consecutive financial years commencing 1 April 2018. A copy of the PSAA Prospectus [**Annex 1**] and FAQs [**Annex 2**] are attached for information.

1.2 Legal Implications

- 1.2.1 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in to a SLB must be made by full Council.

1.3 Financial and Value for Money Considerations

- 1.3.1 A SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit; and would remove the costs of establishing and maintaining an auditor panel.

1.4 Risk Assessment

- 1.4.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

1.5 Equality Impact Assessment

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Policy Considerations

- 1.6.1 Procurement

1.7 Recommendations

- 1.7.1 Cabinet is invited to **recommend** to full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

Background papers:

contact: Neil Lawley

Nil

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