

**North East Derbyshire District Council**

**Council**

**31 October 2016**

<p><b>Procurement of External Auditors</b></p>
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**Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration**

This report is public

**Purpose of the Report**

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

**1 Report Details**

- 1.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.
- 1.2 As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 1.3 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it is necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.
- 1.4 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 1.5 The date by which authorities will need to opt in to the appointing person arrangements is not yet finalised. However, it is anticipated that invitations to opt in will be issued in December 2016 with a requirement to respond early in 2017.

- 1.6 Full details of the proposals are set out on the PSAA website, however the main advantages may be summarised as follows. These can also be viewed as the disadvantages that would arise if the Council was to decide to undertake its own procurement.

- \* Assure timely auditor appointments
- \* Manage independence of auditors
- \* Secure highly competitive prices
- \* Save on procurement costs
- \* Save time and effort needed on auditor panels
- \* Focus on audit quality
- \* Operate on a not for profit basis and distribute any surplus funds to scheme members.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 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 with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.
- 2.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council.

## **3 Consultation and Equality Impact**

- 3.1 There are no consultation and equality impact implications from this report.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 To establish an auditor panel and conduct our own procurement. This is not recommended as it 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.

## **5 Implications**

### **5.1 Finance and Risk Implications**

- 5.1.1 The current revenue budget includes a sum of £76,000, of which £67,500 relates to the auditing the statement of accounts and £8,500 for auditing the subsidy claim.
- 5.1.2 While the PSAA option will require some additional staff time this will be significantly below that which would be necessary if we undertook our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.
- 5.1.3 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

## 5.2 Legal Implications including Data Protection

- 5.2.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

## 5.3 Human Resources Implications

- 5.3.1 These are covered throughout the report.

## 6 Recommendations

- 6.1 That Council approves that North East Derbyshire District Council opts into the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors which will ensure that the Council complies with the Local Audit and Accountability Act 2014.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	
<b>District Wards Affected</b>	None directly.
<b>Links to Corporate Plan priorities or Policy Framework</b>	Providing Excellent customer focussed services.

## 8 Document Information

Appendix No	Title
None	
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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<http://www.cipfa.org/~media/files/partners/sdct/psaa-prospectus.pdf?la=en>