

Wiltshire Council

Council

21 February 2017

Future External Audit Appointment Process

Executive Summary

This report updates Council on the options for appointing the Council's external auditors following changes in legislation, and identifies the advice of the Audit Committee. There are three options:

1. undertake an individual auditor procurement and appointment exercise;
2. undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
3. join a 'sector led body' arrangement where specified appointing person status has been achieved under the relevant Regulations

Proposal

Council agrees to choose option 3 recommended by the Audit Committee, and nominate Public Sector Audit Appointments Limited (PSAA) to act on its behalf and appoint external auditors for the council.

Reason for the Proposal

Changes to legislation following the dissolution of the Audit Commission require the Council to take a decision by December 2017.

Carolyn Godfrey
Corporate Director

Future External Audit Appointment Process

1. Purpose of this report

- 1.1 Due to pending changes in the legislative requirements to appoint public body auditors following the Local Accountability and Audit Act 2014 that dissolved the Audit Commission, the Council has to determine an appropriate route to appoint its external auditors for the 2018/19 audit and beyond.

2. Background

- 2.1 Following an announcement to dissolve the Audit Commission, the Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments Limited (PSAA) on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014. PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.
- 2.2 Under these transitional arrangements, the PSAA therefore is currently responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. In July 2016 the Secretary of State for Communities and Local Government extended the transitional period until after the 2017/18 audit.
- 2.3 Going forward after that audit public sector bodies have three options under legislation and regulations to appoint external auditors:
1. undertake an individual auditor procurement and appointment exercise;
 2. undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
 3. join a 'sector led body' arrangement where specified appointing person status has been achieved under the relevant Regulations

2.4 This effectively means Wiltshire Council (and it is assumed Wiltshire Pension Fund, although silent in legislation and guidance despite request for clarity) must have selected one of these options by December 2017 in readiness for the 2018/19 audit. Given the various times to enact these options clarity on which option is preferred by the Council is sought now. As part of that process and given some of the direct impact to the Audit Committee its views were sought to inform the appointment process decision.

2.5 The minutes of the Audit Committee meeting and the full review of all three options can be found at the following [Link](#) – Item 45.

2.6 The Audit Committee concluded after discussions and questions that it recommended to Full Council the option to nominate Public Sector Audit Appointments Limited (PSAA) to act on behalf of the Council for future external audit appointments.

3. Equality and Diversity Impacts of the Proposal

3.1 None have been identified as directly arising from this report.

4. Financial Implications

4.1 Each options carries different risks regarding both the cost of future external audits. It is assumed, as set out in the report considered by the Audit Committee, that option three – to join a sector led approach, will provide the lowest risk regarding fee increases and procurement costs.

4.2 The responsibilities of the PSAA will give assurance that the quality of auditors appointed and fiduciary risk is equally managed for all three options.

4.3 The expected costs are within the current budgetary framework, and the proposed options reduces the risk of any increase.

5. Legal Implications

5.1 There is a statutory requirement for the Council to have external auditors. Changes to legislation now set out the requirements and options for public bodies to appoint those auditors. This paper considered by Audit Committee set out the various options available to meet the statutory requirements under the new arrangements for the audit and accountability of local public bodies are set out in the [Local Audit and Accountability Act 2014](#), and the following Regulations issued under the Act: [The Accounts and Audit Regulations 2015](#) and [The Local Audit \(Appointing Person\) Regulations 2015](#).

5.2 The appointment process finally chosen will have to follow this legislation. Legal will advise on that process in due course.

6. **Public Health Implications**

6.1 None have been identified as arising directly from this report.

7. **Procurement Implications**

7.1 In recommending option 3 the procurement process will be undertaken by PSAA. The expected costs over the contract duration is likely to exceed OJEU Procurement Thresholds and therefore, the Strategic Procurement Hub will provide oversight of the process to ensure compliance in accordance with the Council's Procurement and Contracts Rules.

8. **Environmental Implications**

8.1 None have been identified as arising directly from this report.

9. **Safeguarding Implications**

9.1 None have been identified as arising directly from this report.

10. **Options Considered**

10.1 The Audit Committee considered the three options open to the Council under current legislation.

11. **Reasons for Proposals**

11.1 Changes to legislation following the dissolution of the Audit Commission require the Council to take a decision by December 2017. All of the options require time to prepare for and as such views of the Audit Committee were sought. The decision to nominate an external agent to appoint an external auditor must be that of Full Council.

12. **Proposal**

12.1 Council agrees to choose option 3 recommended by the Audit Committee, and nominate Public Sector Audit Appointments Limited (PSAA) to act on its behalf and appoint external auditors for the council.

Michael Hudson
Associate Director, Finance

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