

---

**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE**  
**MEETING ON: 16<sup>th</sup> November 2016**

---

**Status:** Information  
**Title:** Appointment of External Auditors  
**Originator:** Head of Finance and Corporate Services (S.151 Officer)  
**Where from:** N/A  
**Where to next:** Council

---

1 Outcome Sought from Committee

- 1.1 To allow the Committee to consider and make comments to Council in respect of appointing External Auditors from 1<sup>st</sup> April 2018.

2 Recommendations

- 2.1 **That the Committee note the sector led approach and offer in respect of commissioning External Audit from 1<sup>st</sup> April 2018.**
- 2.2 **To consider whether there are any comments or observations that should be brought to Council's attention when Council consider whether to 'opt-in' into the PSAA sector led approach.**

3 Background

- 3.1 To bring to Members attention the need to commission an external auditor (at the end of the current transitional period) to undertake audits from 1<sup>st</sup> April 2018.
- 3.2 To bring to Members attention for their consideration a sector led approach to appointing external auditors.

4 Points for Consideration

- 4.1 Introduction
- 4.2 The Council is required to make arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 4.3 The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

4.4 The existing appointment of KPMG as the Council's External Auditors for 2016/17 and 2017/18 was managed by Public Sector Audit Appointments Ltd (PSSA), an independent company, established by the Local Government Association (LGA) under the transitional arrangements.

4.5 There are three options available to the Council for appointing External Auditors in the future:

**Option 1:** Establish its own independent auditor panel (Part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014). The panel must be made up of a majority or of wholly independent members and must be chaired by an independent member.

**Option 2:** Establish a joint independent auditor panel to carry out the function on behalf of two or more Councils.

**Option 3:** Opt-in to an approved sector led body (SLB) to be specified by Department for Communities and Local Government (DCLG) to act as the Appointing Person on behalf of opted-in authorities. The opt-in sector led body approach requires Full Council Approval (Regulation 19, Local Audit (Appointing Person) Regulations 2015).

4.6. The Department for Communities and Local Government has specified Public Sector Audit Appointments Ltd (PSSA) as the Appointing Person, establishing it as a sector led body. If the Council opt-in to the sector led body approach this arrangement can be used and will deliver economic and efficiency benefits.

4.7. The Local Government Association is supporting this sector led approach in order to secure the benefits of economies of scale and savings in terms of the administrative burden on Councils and other local government sector bodies. These benefits include:

- Purchasing power to negotiate competitive audit fees worth an estimated £30m annually. Savings on the costs of Invitation to Tender exercises at some 470 local government sector bodies alone.
- Savings on the costs of bid appraisal, contract specification and negotiation. Economies of scale to be achieved from collective procurement, enabling the firms to plan and resource audits more efficiently and effectively.
- Quality monitoring and other information sharing across contracts (subject to protections over confidentiality).
- Sensible distribution of audit appointments taking into consideration joint working between individual Councils and other public bodies, managing rotations where conflicts of interest arise.

4.8 PSAA has issued an invitation to Council's to join a sector led approach (Option 3 above). It is expected that most Councils will use this framework as the most efficient and cost effective method of appointing an auditor. Details of the offer and background information is attached at **Appendix A**.

- 4.9 If the Council was to choose PSSA as the commissioner of External Audit Services it requires a decision by full Council before the 9th March 2017. If appointed PSAA would appoint an external auditor for each of the five years from 1st April 2018.
- 4.10 In the view of the S151 Officer there would be no economic or commissioning benefits from commissioning the auditor solely as Harborough District Council. The current external audit fee is less than £50,000.
- 5 Equality Impact Assessment
- 5.1 None arising directly from this report.
- 6 Conclusions
- 6.1 The Council has a legal obligation to appoint an auditor. The sector lead approach by PSAA provides a cost effective approach for securing an auditor in accordance with required timescales
- 

**Previous report(s):**

**Information Issued Under Sensitive Issue Procedure: *N***

**Ward Members Notified: *N***

**Appendices:**

- A. PSAA Invitation to opt into the national scheme for auditor appointments and background information**