

Audit and Governance Committee

Meeting to be held on Monday, 31 July 2017

Electoral Division affected: (All Divisions);
--

External Auditor Appointment Process

(Appendix 'A' refers)

Contact for further information:

Neil Kissock, Tel: (01772) 536154, Director of Financial Resources,
neil.kissock@lancashire.gov.uk

Executive Summary

At its meeting on 15 December 2016 the Council agreed to opt into an approved sector led body approach to appointing its external auditor for the five financial years commencing 1 April 2018. Specifically, this allowed Public Sector Audit Appointments Limited (PSAA) to act as the appointing person for the appointment of external auditors for the County Council under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Appendix 'A' sets out the process to be undertaken in order for the Council to secure an external auditor by December 2017. In particular, PSAA will begin the process of consulting audited bodies on proposed appointments in August 2017, allowing five weeks for the consultation between 14 August and 22 September. Where a body accepts the appointment PSAA has proposed, no further action is needed.

PSAA recognise that in some instances there could be valid reasons why the proposed firm may not be appointed. Opted-in bodies will therefore have the opportunity to make representations on the proposed appointment. PSAA have provided for two opportunities for bodies to make representations, – 16 - 27 October and 10 - 24 November, – and the PSAA Board will approve all proposed appointments, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final and PSAA plans to write to each audited body to confirm the appointment of their external auditor on 18 December.

Recommendation

The Audit and Governance Committee is recommended to authorise the Chair of the Committee to respond to PSAA's consultation between 14 August and 22 September 2017 on the proposed appointment of an external auditor for the Council, and subsequent consultations as necessary.

Background and Advice

The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. In October 2015 the Secretary of State for Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

The Act also set out the arrangements for the appointment of auditors for subsequent years, with the opportunity for authorities to make their own decisions about how and by whom their auditors are appointed. Regulations made under the Act allow local authorities to opt into a process by which their auditor is appointed by an appointing person.

In July 2016 Public Sector Audit Appointments Limited (PSAA) was 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 local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State. PSAA is an independent, not-for-profit company limited by guarantee and established by the Local Government Association.

In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015, PSAA formally invited all eligible principal local government bodies to become opted-in authorities to the national auditor appointment arrangements in its role as a specified appointing person. The length of the compulsory appointing period is the five consecutive financial years commencing 1 April 2018.

A decision for the County Council to become an opted-in authority was taken at the meeting of Full Council on 15 December 2016. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Appendix 'A' sets out the guidance provided by PSAA regarding the process it is following in the appointment of external auditors for authorities that have opted into its arrangements. In particular, PSAA will begin the process of consulting audited bodies on proposed appointments in August 2017, allowing five weeks for the consultation, 14 August to 22 September.

PSAA recognise that in some instances there could be valid reasons why the proposed firm may not be appointed. Opted-in bodies will therefore have the opportunity to make representations on the proposed appointment. PSAA have provided for two opportunities for bodies to make representations, 16 - 27 October, and 10 - 24 November.

The PSAA Board will approve all proposed appointments, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final and PSAA plans to write to each audited body to confirm the appointment of their external auditor on 18 December.

Consultations

The County Council's Monitoring Officer, Director of Financial Resources and Chair of the Audit and Governance Committee have been consulted on the most appropriate means for the Council to respond to the appointment process for its new external auditor.

Implications:

This item has the following implications, as indicated:

Risk management

The principal risk is that the Council fails to appoint an external auditor for 2018/19 by December 2017.

Legal

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment and provides that where a relevant Council is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Financial

Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into a large scale collective procurement arrangement. The proposed fees cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Decision to opt in to the National Scheme for Auditor Appointments	15 December 2016	Khadija Saeed, Head of Corporate Finance, (01772) 536195
Reason for inclusion in Part II, if appropriate		
N/A		