

Bath & North East Somerset Council

MEETING:	Council	
MEETING DATE:	10th November 2016	AGENDA ITEM NUMBER
TITLE:	Procurement Options – External Audit	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 The report sets out the background and statutory requirements for the Council to approve the procurement route for the External Auditors to the Council, under the Local Audit & Accountability Act 2014. The Corporate Audit Committee reviewed this item at its September Committee and supported the recommended option of using the sector led body, Public Sector Audit Appointments Limited.

2 RECOMMENDATION

- 2.1 That Council approves the use of Public Sector Audit Appointments Limited (PSAA Ltd) to manage the procurement process for the appointment of External Auditors to the Council.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications as the sector led body (PSAA Ltd) are funded through the LGA and no direct charge is being made. Previously this service was provided as part of the role and responsibilities of the Audit Commission and there was no direct cost.

4 STATUTORY CONSIDERATIONS & BASIS FOR PROPOSAL

- 4.1 The Local Audit & Accountability Act 2014 changed the framework for the future of the external audit regime and the Local Audit (Appointing Persons) Regulations 2015 sets out at regulation 19 that only full Council can approve the procurement route for the appointment of the Council's External Auditors. PSAA Ltd has been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies under the provisions of the 2014 Act.

5 THE REPORT

Background –

- 5.1 The Local Audit & Accountability Act 2014 put in place the framework which will allow local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms. The Audit Commission was also responsible for standard setting and overseeing the National Fraud Initiative.
- 5.2 In August 2010, the then Secretary of State for Communities and Local Government announced that the Audit Commission would be abolished. His stated aims were to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.
- 5.3 As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded to Grant Thornton, KPMG, Ernst & Young and Mazars. The new contracts commenced in 2012 and saved over £25M nationally in audit fees each year.
- 5.4 The Audit Commission itself closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association.
- 5.5 Whilst the Corporate Audit Committee oversee the work of the External Auditor and approve the Annual Accounts only full Council have the authority under the Local Audit & Accountability Act to approve the use of PSAA Ltd to carry out future procurement processes on our behalf.

Current Position -

- 5.6 Following substantial lobbying from the LGA and other bodies the government recently announced that the contract & transitional arrangements for principal authorities would be extended for a further year until April 2018.
- 5.7 Health bodies and smaller local government bodies will however still need to appoint their own external auditors from April 2017.
- 5.8 The one year extension has been welcomed by the LGA along with the government's decision to allow councils to come together to continue to procure audit services through a sector led organisation (PSAA Ltd).

Conclusion & Recommended Option -

- 5.9 Whilst the Act allows councils to appoint their own auditor or to make a joint appointment with neighbouring councils, this change in approach by the government is likely to mean the majority of councils avoid the need to establish an auditor panel or undertake their own procurement exercise.
- 5.10 Some bodies will however see advantages in making their own arrangements. These include full control and ownership over the process and the ability to reflect local circumstances. Larger councils may also feel they will be able to secure a

better price if they can attract a high level of interest although there is no evidence to support this.

- 5.11 Those councils who wish to make their own appointment whether jointly or on their own would need to start planning within the next few months as any appointment must be confirmed by December 2017 and the procurement exercise will take time and significant cost. Indeed there are no resources available to carry out this exercise internally or any spare capacity to manage the process effectively.
- 5.12 Therefore within the local government sector the vast majority of Councils have already expressed a preference to join a sector led procurement exercise from PSAA and it is the recommendation of the S151 Officer that Bath & North East Somerset Council should also follow this option. A provisional expression of interest has already been made to PSAA to indicate our inclusion in the national exercise.
- 5.13 There are no direct charges from using PSAA Ltd and there are very clear financial and quality benefits by following the recommended option which should also help the major firms to also plan their resources and bids more effectively.
- 5.14 Council are therefore asked to support the recommendation to the report so that arrangements can be finalised in the next few months to confirm our approach to securing our involvement in the sector led exercise by PSAA.

6 RATIONALE

- 6.1 As laid out in the report in section 5 there are clear financial and quality benefits by following the recommended option. The Council has no available resources or spare capacity to carry out the exercise on its own or to manage the contract on an ongoing basis.

7 OTHER OPTIONS CONSIDERED

- 7.1 Two other options have been considered, the first of which is to carry out the exercise ourselves or to partner with a group of neighbouring authorities. In both cases there are no available resources or expertise to carry out the exercise or any appetite from other councils in our region to use scarce capacity on this initiative. Almost all councils will be using the recommended option.

8 CONSULTATION

- 8.1 Consultation has been carried out with the Cabinet Member for Resources, Chief Executive, Monitoring Officer and Section 151 Finance Officer.

9 RISK MANAGEMENT

- 9.1 An effective External Auditor demonstrates one aspect of good governance on behalf of the Council and the wider Community. This helps to ensure that the

Council is delivering good value to its residents from its services and is managing its key risks appropriately.

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Background papers	Report to Audit Committee – 27 th September – External Audit Procurement
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