



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 29 June 2017 9:30 am	<u>Public</u>

APPOINTMENT OF EXTERNAL AUDITORS

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk

Tel:

01743 258915

1. Summary

On the 15th December 2016, Council agreed with the Audit Committee's proposal that Shropshire Council support the Local Government Association (LGA) in setting up a National Sector Led Body to appoint external auditors. The Council resolved to formally opt-in to the Public Sector Audit Appointments Ltd (PSAA), the Local Government Association National Sector Led Body.

On the 20th June 2017, PSAA confirmed in a press release that local government and police bodies throughout England will pay reduced fees for audit services following the results of a highly successful procurement process. Aggregate savings nationally are expected to exceed £6m per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

This report updates Members on the details of the press release.

2. Recommendations

Audit Committee

Members are requested to consider and endorse, with appropriate comment, the information provided on the national auditor appointment arrangements with PSAA Ltd, the Local Government Association National Sector Led Body.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) 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

including the requirement for the authority to consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that, where a relevant authority 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 authority.

- 3.2 Section 12 makes provision for the failure to appoint a local auditor: the authority 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 authority.
- 3.3 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 applied in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
- 3.4 The Secretary of State has enabled PSAA Ltd to be an appointing person for local auditors under a national scheme.
- 3.5 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 The Council's annual external audit fees for the 2016/17 audit were £133,845.
- 4.2 Opting-in to a national Sector Led Body (SLB) provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and removes the costs of establishing an auditor panel. There is no fee for joining the sector led arrangements. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors. The LGA is reporting a reduction of approximately 18% in the scale fees payable by local bodies.

5. Background

- 5.1 The Local Audit and Accountability Act 2014 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. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to allow for the audit of the 2017/18 accounts.
- 5.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission, the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years, the Council has benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with accountancy firms and savings from closure of the Audit Commission.

5.3 On the 15th December 2016, Council agreed with the Audit Committee's proposal that Shropshire Council support the Local Government Association (LGA) in setting up a National Sector Led Body to appoint external auditors. The Council resolved to formally opt-in to the Public Sector Audit Appointments Ltd (PSAA), the Local Government Association National Sector Led Body. This procurement process has now been completed.

6 Update on the national scheme

6.1 On the 20th June 2017, PSAA confirmed in a press release that local government and police bodies throughout England will pay reduced fees for audit services following the results of a highly successful procurement process. Aggregate savings nationally are expected to exceed £6m per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 (value: approx. £14.4 million per audit year) awarded to Grant Thornton LLP;
- Lot 2 (value: approx. £10.9 million per audit year) awarded to EY LLP;
- Lot 3 (value: approx. £6.6 million per audit year) awarded to Mazars LLP;
- Lot 4 (value: approx. £2.2 million per audit year) awarded to BDO LLP;
- Lot 5 (value: approx. £2.2 million per audit year) awarded to Deloitte LLP; and
- Lot 6 (value not pre-determined) awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

6.2 These contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so.

6.3 In due course PSAA will begin a consultation process leading to the appointment of named audit firms to each individual authorities. All appointments will be finalised by 31 December, 2017 in line with Section 7 of the Local Audit and Accountability Act 2014.

6.4 The appointments process will then be followed by a consultation exercise focusing on the change to scale fees payable by authorities. Current estimates point to a possible fee reduction in the order of 18%.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Audit and Accountability Act 2014

CIPFA's Auditor Panels

Audit Committee, June and November 2016: Audit appointments 2017/18

Council, July and December 2016: Changes to Arrangements for Appointment of External Auditors

Cabinet Member (Portfolio Holder) Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)

Local Member n/a

Appendices
None