

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	COUNCIL	6 FEBRUARY 2017	16
APPOINTMENT OF EXTERNAL AUDITORS FROM 2018/19 FINANCIAL YEAR – UPDATE			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report presents an update of the issues arising from the introduction of new powers for local authorities to appoint their external auditor from the 2018/19 financial year onwards. In addition the report proposes that Fylde Council agrees to opt into the national scheme for auditor appointments that is managed by Public Sector Auditor Appointments (PSAA). This item was considered by the Audit and Standards Committee at the meeting of 19th January 2017.

RECOMMENDATIONS

The Council is recommended to:

1. Note the update on the issues arising from the introduction of new powers for local authorities to appoint their external auditor from the 2018/19 financial year onwards as contained within this report; and
2. To approve the recommendation of the Audit and Standards Committee at the meeting of 19th January 2017 that Fylde Council agree to opt into the national scheme for auditor appointments that is managed by Public Sector Auditor Appointments Limited (PSAA).

SUMMARY OF PREVIOUS DECISIONS

This issue was considered by the Audit & Standards Committee in January 2017 at which the committee recommended that Fylde Council agree to opt into the national scheme for auditor appointments.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. Following a change in legislation and the cessation of role of the Audit Commission, the responsibility for the appointment of external auditors will fall to individual councils with effect from the audit of the 2018/19 accounts. An external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. Consequently a procurement process will be necessary to provide for the selection of an external auditor from that date.
2. The matter was considered by the Audit and Standards Committee in January 2016. At that time the committee agreed that the Council should develop an appropriate procurement strategy and select a preferred approach during 2016. Progress towards achieving such an agreed approach has been delayed whilst the government considered a proposal from the Local Government Association (LGA) for a national collective scheme for auditor appointments to manage the procurement and selection process. The LGA proposed that such an arrangement would result in a more efficient and cost-effective way for individual authorities to manage the local appointment of their auditors.
3. In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Auditor Appointments Limited (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. PSAA is a not-for-profit company established by the Local Government Association (LGA) which administered the previous audit contracts let by the Audit Commission before it closed. For audits of the accounts from 2018/19, PSAA will be able to appoint an auditor to relevant principal authorities that choose to opt into its national collective scheme.
4. In the summer of 2016 the PSAA produced a [prospectus](#) to set out how it planned to develop the arrangements for local auditor appointments.
5. The timetable that PSAA have outlined for appointing auditors under the scheme requires that formal invitations to local authorities to opt into these arrangements have now been issued. The deadline for councils to indicate their acceptance of this invitation is 9th March 2017. The invitation to participate in the scheme was accompanied by a further [information document](#) by PSAA.
6. If a council chooses not to participate in the national auditor appointment scheme that is managed by PSAA it will be required to establish an internal procurement and selection process to manage the appointment of its future external auditor. This would require the commitment of staff and Member resources to ensure that the process is delivered effectively and may require the acquisition of specialist procurement services. Most of the other Lancashire district councils have indicated that they are likely to participate in the PSAA national scheme for auditor appointments to take advantage of the efficiencies that this would provide.

CONCLUSION

7. It is recommended that Fylde Council accept the invitation to participate in the PSAA national auditor appointment process as described within this report in order to benefit from the efficiencies and economies of scale offered by this approach. To comply with the relevant regulations this is a decision that must be made by the authority as a whole and consequently the final decision must be made at a meeting of the Council.

IMPLICATIONS	
Finance	Participation in the PSAA national managed scheme for auditor appointments is regarded by most authorities as the most efficient and cost effective way of selecting and appointing an external audit provider. At this point the cost of the external auditor work for 2017/18 onwards is not known. It is expected however that the cost would be met from the existing approved budget provision.
Legal	The Local Audit and Accountability Act 2014 requires principal authorities to appoint auditors, and provides detailed procedures for making those appointments. The act also allows the secretary of state to specify a person who may make appointments on behalf of authorities. The Local Audit (Appointing Person) Regulations 2015 authorise PSAA as the appointing person. Fylde can therefore use PSAA to select and appoint its external auditor.
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report
Health & Safety and Risk Management	None arising directly from this report

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LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
PSAA Prospectus August 2016	August 2016	Council Website
PSAA Information document October 2016	October 2016	Council Website