

SUBJECT:	APPOINTMENT OF EXTERNAL AUDITORS
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 The report asks the committee to note the progress in appointing the Council's external auditor once the current contract ends on 31 March 2018.

2. Executive Summary

- 2.1 The Council's contract with our current external auditors (KPMG) runs out on the 31 March 2018. KPMG will however still undertake the audit of the 2017/18 Statement of Accounts during June - July 2018.
- 2.2 As part of the process for appointing our future external auditors, the Council approved the opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of its external auditors.

3. Background

- 3.1 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 for Communities and Local Government (DCLG) 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.
- 3.2 The Council's current external auditor is KPMG, 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 PSAA, the body set up by the LGA with delegated authority from the Secretary of State. Over recent years the Council has benefited from a 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 the firms of accountants and savings from closure of the Audit Commission.
- 3.3 When the current transitional arrangements come to an end on 31st March 2018 the Council was able to move to local appointment of the auditor. There were a number of routes by which this could be achieved and the Council chose the opt-in to the appointing persons arrangements made by PSAA.
- 3.4 For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to Council's that have chosen to opt in to its national auditor appointment arrangements.

4. Proposed Audit Appointment for 2018/19

- 4.1 PSAA wrote to the Council on the 14 August 2017 informing of the proposed appointment of Mazars LLP to audit the accounts (for a period 5 years) from 2018/19. The appointment will start on the 1 April 2018.
- 4.2 The Council wrote back to confirm our acceptance of this proposal, with the PSAA board then considering all proposed auditor appointments at its meeting on the 14 December 2017. After which they will write to the Council to confirm the appointment of Mazars LLP.
- 4.3 In developing the appointment proposal, PSAA have applied the following principles:
- Ensuring auditor independence
 - Meeting PSAA commitments to the firms under the audit contracts
 - Accommodating joint/ shared working arrangements, where these are relevant to the auditor's responsibilities
 - Ensuring a balanced mix of authority types for each firm
 - Taking into account each firms principal locations
 - Providing continuity of audit firm if possible, but avoiding long appointments

5. Strategic Priorities

- 5.1 There are no direct implications for the Council's strategic priorities. The appointment of an External Auditor is a statutory requirement of the Council and as such contributes towards the fitness for purpose of the Council's governance arrangements.

6. Organisational Impacts

6.1 Finance

PSAA will consult on the scale fees for 2018/19 in the coming months and will confirm scale fees for 2018/19 in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of 18% should be possible (based on individual scale fees for 2016/17).

6.2 Legal Implications including Procurement Rules

As outlined in the report.

7. Recommendation

Audit Committee is recommended to:

- 7.1 Note, subject to confirmation in December, Mazars LLP have been appointed as the Council's external auditor from 1 April 2018, for a period of 5 years.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? None

List of Background Papers: None

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