

**Report of The Section 151 Officer**

**Appointment of External Auditors after 2017**

**1 Purpose of report**

This report updates members on the progress of appointing new external auditors, following council's decision on 23 February 2017 to "opt in" to the national sector led appointment of external auditors

**2 Executive summary**

The Public Sector Auditor Appointments (PSAA) has now completed a procurement to let audit contracts from 2018-19. Ernst & Young LLP (EY) was one of the successful firms in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor for the Borough Council of Wellingborough.

**3 Appendices**

None

**4 The Resources Committee is invited to RESOLVE to:**

- a) Approve the selection of Ernst & Young LLP (EY) as the council's proposed external auditors to audit the accounts for five years from 2018-19**

**5 Background**

- 5.1 On 13 September 2016 the Audit Committee agreed to express an interest to the Local Government Association (LGA) in a national Sector Led Bid by indicating to "opt-in".
- 5.2 It was recommended and agreed at council on 23 February 2017 that Wellingborough opt to join the national scheme for external auditor appointments for five years commencing 1 April 2018 offered by the PSAA.
- 5.3 PSAA must, under Regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

- 5.4 PSAA have now completed a procurement to let audit contracts from 2018-19. EY was successful in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor for the Borough Council of Wellingborough.
- 5.5 Ernst & Young LLP is a multinational professional services firm with 231,000 employees based in over 150 countries worldwide. They provide assurance, tax, consulting and advisory services, and are one of the "Big Four" accounting firms. EY employs around 13,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance service team, who are also able to draw from an extensive pool of specialists.
- 5.6 In developing this appointment proposal, PSAA have applied the following principles, balancing competing demands as much as they can, based on the information provided to them by audited bodies and audit firms:
- ensuring auditor independence, as required to do by the Regulations;
  - meeting 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 account of each firm's principal locations; and
  - providing continuity of audit firm if possible, but avoiding long appointments.
- 5.7 PSAA are consulting on the proposed appointment of EY to audit the council's accounts for five years from 2018-19. The consultation will close on the 22 September 2017.
- 5.8 It is understood that E&Y are also likely to be appointed as the external auditors for most of the other local authorities in the region.
- 5.9 PSAA will consult on scale fees for 2018-19 in due course and will publish confirmed scale fees for 2018-19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018-19, based on the individual scale fees applicable for 2016-17.

## **6 Discussion**

- 6.1 The Audit Committee could accept the proposed appointment of Ernst & Young LLP to audit the Council's accounts for five years from 2018/19. This is the recommended option.
- 6.2 The Audit Committee could choose to make representations to PSAA about the proposed auditor appointment within the consultation period. Representations can include matters that the council believe might be an impediment to the proposed firm's independence, were it to be appointed as the council's auditor. If PSAA accept any representations they will consult on an alternative auditor appointment.

## **7 Legal powers**

- 7.1 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 that the authority must 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 under those arrangements;
- 7.2 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.
- 7.3 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 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.

## **8 Financial and value for money implications**

None at present

## **9 Risk analysis**

- 9.1 There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

## **10 Implications for resources, equalities, stronger and safer communities**

None at present

## **11 Author and contact officer**

Samantha Knowles, Interim Assistant Director

## **12 Consultees**

Liz Elliott, Managing Director

## **13 Background papers**

LGA Letter to Chief Executives