

Appendices
None



AUDIT COMMITTEE REPORT

Report Title	Proposed external auditor appointment from 2018/19
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	11 th September 2017
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 This report outlines the next stage of appointing an external auditor for 2018/19 onwards.

2. Recommendations

2.1 It is recommended that the Audit Committee note and accept the selection of Ernst & Young LLP (EY) as the authorities proposed external auditors to audit the Council's accounts for five years from 2018/19.

3. Issues and Choices

3.1 Report Background

3.1.1 On 14th November 2016 the Audit Committee agreed to recommend to the next Council meeting that Northampton opt to join the national scheme for external auditor appointments for five years commencing 1st April 2018 offered by the Public Sector Audit Appointments (PSAA). Subsequently, on 12th December 2016, Council accepted that recommendation of the Audit Committee.

- 3.1.2 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.
- 3.1.3 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 of Northampton Borough Council.
- 3.1.4 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.
- 3.1.5 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.
- 3.1.6 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 22nd September 2017.
- 3.1.7 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.
- 3.1.8 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.

3.2 Choices (Options)

- 3.2.1 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.
- 3.2.2 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.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There is no immediate risk to the authority, although at this stage it is not possible to estimate whether the cost of external audit provision will remain at the current reduced levels.

4.3 Legal

4.3.1 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 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;

4.3.2 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.

4.3.3 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 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.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Finance staff have consulted with other finance staff in neighbouring Local Authorities, and the Council's own Monitoring Officer.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

- 5.1 Local Audit and Accountability Act 2014 (the Act) and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations).

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