

HAMPSHIRE COUNTY COUNCIL**Decision Report**

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| Decision Maker: | Audit Committee |
| Date: | 29 September 2016 |
| Title: | Local Appointment of External Auditors - Update |
| Reference: | 7784 |
| Report From: | Director of Corporate Resources – Corporate Services |

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1. Executive Summary

- 1.1. This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2. The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

2. Contextual information

- 2.1. A paper was presented to the Audit Committee on 23 June 2016 outlining the alternative option for the local appointment of External Auditors available to the Council (Appendix 1).
- 2.2. There was a general consensus that Option 3 – Opt-in to a sector led body would be the preferred option; however some further clarification of this option was requested along with any available benchmarking data of how other local bodies were approaching the appointment process.
- 2.3. A further request was made to determine whether it would be possible for different and/ or similar methodologies of appointment to be adopted with the outcome of different auditors being appointed for Hampshire County Council and Hampshire Pension Fund.

3. Opt-in to sector led body (benchmarking)

- 3.1. In May to June 2015, the LGA conducted an online survey to ascertain the level of support for setting-up of a sector-led body (SLB) to procure external audit on behalf of councils and other bodies by the LGA in the future.

3.2. The survey was sent to Directors of Finance (or equivalent) in all 353 English local authorities, 47 Fire and Rescue Authorities (FRAs), 38 Police and Crime Commissioners (PCCs) and 39 Police Forces. A total of 477 organisations were contacted. A 38% response rate was received overall, and a 42% response rate from councils.

The survey indicated:

- 58% of respondents said their organisation would prefer 'an opt-in sector-wide body for collective procurement set up by the LGA
- 3.3. In response to the consultation on the new arrangement the LGA successfully lobbied for local bodies to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- 3.4. In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments from 2018/19 to relevant principal authorities that choose to opt into its arrangements; effectively this means that PSAA are the sector led body
- 3.5. The date by which principal authorities will need to opt into the appointing person arrangement is not yet finalised. PSAA have set out that their aim is to award contracts to audit firms by June 2017, giving six months to consult with authorities on appointments before the 31 December 2017 deadline. PSAA anticipate that invitations to opt in will be issued before December 2016 to relevant principal authorities.
- 3.6. A prospectus has been issued by PSAA which provides further information on their appointment and their proposals moving forward (Appendix 2).

4. External Audit appointments for the Hampshire Pension Fund

- 4.1. Hampshire Pension Fund is administered by Hampshire County Council. The Pension Fund is not a separate legal entity and pension funds are not listed as 'relevant authorities' in their own right within Schedule 2 of the Local Audit & Accountability Act 2014. As such there is no statutory basis for a separate auditor appointment.
- 4.2. Therefore the auditor appointed to the administering body (Hampshire County Council), will also audit the Pension Fund. The audit of the pension Fund is however recognised as a separate engagement to the audit of the administering local authority, with a separate scale fee.

5. Conclusion

- 5.1. The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018.
- 5.2. In consideration of all proposals (Appendix 1) the benefits of the sector-led appointment through Public Sector Audit Appointments (PSAA) would appear to maximise the opportunities to achieve the most economic and efficient approach to procurement and management of external audit provision following the cessation of current arrangements.

6. Recommendations

- 6.1. That Members recommend to Full Council that the future appointment of External Audit for Hampshire County Council as required under the Local Audit & Accountability Act 2014, be undertaken through engagement with Public Sector Audit Appointments (PSAA) as part of a sector-led appointment.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

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| Hampshire safer and more secure for all: | no |
| Maximising well-being: | no |
| Enhancing our quality of place: | no |
| OR | |
| This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because: | |
| In accordance with the Local Audit & Accountability Act 2014 and the Accounts and Audit (England) Regulations 2015 | |

Other Significant Links

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| Links to previous Member decisions: | | |
| <u>Title</u> Update – Appointment of External Auditors | <u>Reference</u> 7585 | <u>Date</u> 23 June 2016 |
| Direct links to specific legislation or Government Directives | | |
| <u>Title</u> Local Audit & Accountability Act 2014 | <u>Date</u> | |

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals within this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption?

No specific changes

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change