

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 SEPTEMBER 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

EXTERNAL AUDITOR APPOINTMENT

1 Executive Summary

- 1.1 The Local Audit & Accountability Act 2014 ('the Act') abolished the Audit Commission, and required principal local authorities to appoint their own external auditors by 31 December 2017 for the audit of their accounts from 2018/19.
- 1.2 The Council agreed in February 2017 to opt into the national scheme for auditor appointments undertaken by the Public Sector Audit Appointments Ltd (PSAA). Following a procurement exercise, PSAA has begun the consultation process with individual authorities with regards to their proposed appointment and the purpose of this report is to seek approval to respond to this consultation before the deadline of 22 September.

2 Recommendations

- 2.1 That Cabinet recommends to Council to accept the proposed appointment of Ernst & Young LLP to audit the accounts of the Council for five years from 2018/19 and that delegated authority is given to the Executive Director (Resources, Environment and Cultural Services) to respond to the PSAA consultation accordingly.

3 Explanation

- 3.1 Local authority external auditors have, since the mid-1980s been commissioned or carried out by the Audit Commission. However, the Local Audit & Accountability Act 2014 ('the Act') abolished the Audit Commission, and requires principal local authorities such as Welwyn Hatfield Borough Council to appoint their own external auditors from 2018/19.
- 3.2 In July 2016, PSAA was specified by the Secretary of State as an appointing person and had since developed a national appointment scheme. Subsequently, the Council agreed to opt into the national auditor appointment scheme in February 2017.
- 3.3 Following a procurement exercise, PSAA announced on 15 August 2017 the proposed external auditor appointment to each opted-in authority. The proposed appointment to audit the accounts of Welwyn Hatfield Borough Council for five years from 2018/19 is Ernst & Young LLP.
- 3.4 PSAA is required to consult the authority about the proposed appointment and the Council will need to respond by 22 September 2017.

3.5 There are two options available to the Council:

3.5.1 Option 1 – Accept the proposed appointment

3.5.2 Option 2 – Objecting to the proposed appointment, the following reasons are deemed to be acceptable by the PSAA:

- there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
- there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
- a history of inadequate service from the proposed firm.

3.6 Given the fact that Ernst & Young LLP is the Council's current external auditor, a further 5 year contract will ensure continuity and this will minimise the level of disruption to the finance team given that there are established audit practices and approaches that both of the teams are already familiar with. This is particularly important as the statutory timetable for the completion of statement of accounts audit will be brought forward by two months from next year. Therefore the recommendation will be for the council to accept the proposed appointment.

3.7 The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. The Council will be informed in writing the final appointment by the end of December 2017.

Implications

4 Legal Implications

4.1 The failure to appoint an auditor must be reported to the Secretary of State, who may direct an authority to appoint a named auditor or appoint an auditor on that authority's behalf.

5 Financial Implications

5.1 The current external audit fee is around £63,000 and the proposed fees for 2018/19 is expected to be published in March 2018.

6 Risk Management Implications

6.1 Not accepting the proposed appointment may lead to a change in external auditor, which may lead to more disruption during the audit process. Also there may be additional work for the finance team to assist with the transitional period.

7 Security & Terrorism Implication(s)

7.1 There are no security or terrorism implications.

8 Procurement Implication(s)

8.1 The appointment of external audit has been done as part of a national procurement exercise.

9 Climate Change Implications

9.1 There are no direct climate change implications to consider.

10 Link to Corporate Priorities

10.1 The subject of this report is linked to the Council's Corporate Priority of engaging with our communities and provide value for money and specifically with regard to delivering value for money.

11 Equalities and Diversities

11.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals as there are no equalities or diversities issues arising from the report.

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