

# Shadow Dorset Council

Date of Meeting	13 December 2018
Lead Member	Councillor Tony Ferrari
Officer	Steven Mackenzie
<b>Subject of Report</b>	<b>Appointment of External Auditor</b>
Executive Summary	<p>The Local Audit and Accountability Act 2014 put in place the arrangements for the appointment of external auditors to local authorities. Public Sector Audit Appointments Limited (PSAA), which is owned by the Local Government Association, has been specified by the Secretary of State for Housing, Communities and Local Government as the appointing person for those local authorities who choose to opt-in to its arrangements to appoint their auditors.</p> <p>Nationally, most councils opted to use PSAA, who organised a national tendering exercise to appoint their auditors upon the expiry of their current contracts after the audit of 2017/18. Deloitte has been appointed to complete the 2018/19 audit of all of the councils which will form Dorset Council.</p> <p>PSAA have indicated they are prepared to organise the external auditors of Dorset Council from 2019/20 and the Shadow Council in 2018/19 if the Council opts-in. The audit of Dorset Council would be for four years up to and including 2022/23.</p> <p>For any council to opt-in to using an independent panel for the appointment of external auditors a resolution of the full council under Regulation 19 is required.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>The report and the recommendations have no implications for any groups with the protected characteristics.</p>
	<p>Use of Evidence:</p> <p>The use of PSAA to appoint the Council's external auditors will make the process easier and is likely to provide a more economical solution.</p>

	<p><b>Budget:</b></p> <p>The cost of the external audit is included in the 2019/20 base budget and is based on the 2018/19 fees of the predecessor councils. The total audit fee of the six predecessor councils in 2018/19 is £217,285 excluding grant claims and the pension fund. The fee for Dorset Council has yet to be set but it will be set on a scale which will be lower than the current total fees. For indicative purposes, the 2018/19 fee for Wiltshire is £128,913, excluding grant claims and the pension fund.</p> <p>There may be a relatively small additional charge for the audit of the Shadow Council in 2018/19 but the number of transactions is being kept to a minimum to minimise its financial administration.</p>
	<p><b>Risk Assessment:</b></p> <p>Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as:  Current Risk: LOW  Residual Risk LOW</p> <p>(Note: Where HIGH risks have been identified, these should be briefly summarised here, identifying the appropriate risk category, i.e. financial / strategic priorities / health and safety / reputation / criticality of service.)</p>
	<p><b>Other Implications:</b></p> <p>There is a statutory requirement for external auditors to be appointed for both Dorset Council and the Shadow Dorset Council.</p>
<p><b>Recommendation</b></p>	<p>That Dorset Council and the Shadow Dorset Council be recommended to opt-in to the arrangements for the appointment of external auditors, managed by Public Sector Audit Appointments Limited.</p>
<p><b>Reason for Recommendation</b></p>	<p>To ensure external auditors are in place for the new Council and its Shadow and to benefit from the 23% reduction in audit fees achieved by the procurement process organised by PSAA..</p>
<p><b>Appendices</b></p>	<p>None</p>
<p><b>Background Papers</b></p>	<p>None</p>
<p><b>Officer Contact</b></p>	<p>Name: Steven Mackenzie  Tel: 01929 557235  Email: stevemackenzie@purbeck-dc.gov.uk</p>
<p><b>Date agreed by Lead Member</b></p>	<p>26 November 2018</p>
<p><b>Date agreed by Statutory Officers</b></p>	<p>Jonathan Mair Interim Monitoring Officer 4<sup>th</sup> December 2018</p>

## 1. Background

- 1.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and put in place new arrangements for the appointment of external auditors of local authorities and the NHS. The 2014 Act requires local authorities to appoint an independent panel to manage the appointment of their external auditor. The Local Government Association created Public Sector Audit Appointments Limited (PSAA) to act as an independent panel and the company has been specified by the Secretary of State for Housing, Communities and Local Government as the appointing person for those local authorities who choose to opt-in to its national appointment arrangements.
- 1.2 Regulation 10 of the Local Audit (Appointing Person) Regulations 2015 provide that a newly-established local authority may opt-in by giving notice to PSAA of its decision to become an opted-in authority.

## 2. Current Arrangements

- 2.1 Prior to its abolition the Audit Commission agreed contracts for the audit of local authorities up to and including the audit of 2017/18. Following its abolition these contracts were managed by PSAA. Dorset councils suggested they should retain their existing auditors for 2018/19 because it is their last year as local authorities. However, the contracts had no provisions for their extension beyond 2017/18 and so extensions could not be achieved.
- 2.2 Nationally, the majority of local authorities chose to opt-in to the PSAA arrangements for their audit from 2018/19. Following a national tendering exercise by PSAA the contract to audit all of the Councils which will form Dorset Council, together with many other councils in the South West, was awarded to Deloitte. The contracts awarded by PSAA are for five years with 2018/19 being the first year of audit.
- 2.3 Both PSAA and Deloitte know that Dorset councils will only have one year of audit under the new contracts, before their abolition.

## 3. Proposals

- 3.1 Dorset Council and the Shadow Dorset Council need to appoint external auditors. This can most easily be achieved by opting-in to the national arrangements put in place by PSAA. PSAA have already indicated they are willing to manage the appointment of auditors to both councils but the councils will need to opt-in to the arrangements to allow PSAA to act.
- 3.2 The Local Audit (Appointing Person) Regulations 2015 require a resolution of the full Council to opt-in to any arrangements which lead to the appointment of the council's external auditors.
- 3.3 Once the Councils have opted-in to their arrangements PSAA will consult the Councils on the proposed auditor appointment. The appointment of the auditors of Dorset Council will be for a period of four years. The fees will be based on the scale of fees achieved as part of their procurement process last year.