

Somerset West and Taunton Council

Shadow Executive - 22 January 2019

Appointment of External Auditor

This matter is the responsibility of Councillors Dewdney and Sully

Report Author: Sue Williamson, Principal Accountant – Corporate

1 Executive Summary / Purpose of the Report

- 1.1 This report asks the Shadow Council to opt in to the Public Sector Auditor Appointments (PSAA) arrangement for the procurement of external audit services for SWATC.
- 1.2 This proposal was supported by the Shadow Corporate Governance and Standards Committee on 12 November 2018.

2 Recommendations

- 2.1 The Shadow Council agrees that Somerset West and Taunton Council opts in to the PSAA scheme for procuring external audit services for the period 2019/20 to 2022/23.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: Failure to implement and maintain appropriate, cost effective and independent external audit arrangements for 2019/20 and beyond leads to a breach in our legal obligations.	Slight 2	Major 4	Medium 8
<i>Mitigation: The Council is recommended to opt in to the PSAA framework for the appointment of external audit services for the financial periods 2019/20 to 2022/23.</i>	Very Unlikely 1	Major 4	Low 4

Risk Scoring Matrix

Likelihood	5	Very Likely	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Very Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and requires that local authorities appoint their own external auditors.
- 4.2 The current external audit function for both Taunton Deane Borough Council (TDBC) and West Somerset Council (WSC) is provided by Grant Thornton (UK) LLP, having been procured through Public Sector Auditor Appointments (PSAA). PSAA is a not-for-profit company established by the Local Government Association that administers the current external audit contracts on behalf of central government. Both TDBC and WSC opted in to the PSAA appointment arrangements in 2014 and 2017, the latter of which provided for a five year appointment period starting with accounts for the 2018/19 financial year.
- 4.3 Grant Thornton (UK) LLP will complete the audit of the accounts of Taunton Deane Borough Council and West Somerset Council for 2018/19 under the auditor appointment already made. This work will be undertaken during 2019.
- 4.4 The Somerset West and Taunton (Local Government Changes) Order 2018 results in the abolition of West Somerset and Taunton Deane districts and the District Councils on 31 March 2019, and the creation of the new Somerset West and Taunton Council with effect from 1 April 2019.

- 4.5 A new auditor appointment will be needed for Somerset West and Taunton Council, as it will be a separate legal entity. PSAA has confirmed that Somerset West and Taunton Council is eligible to become an opted-in authority from 1 April 2019, for the remaining four years of the appointing period covering the accounts for 2019/20 to 2022/23. PSAA would anticipate appointing the firm already appointed from 2018/19 to maintain continuity of audit arrangements, subject to confirming independence and considering the views and joint working arrangements of the new authority.
- 4.6 The alternative to opting in to the PSAA would be for the implementation team to independently procure external audit arrangements which would involve 'starting from scratch' with a full tendering process.
- 4.7 Members are also advised that the Local Audit (Appointing Person) Regulations 2015 require that an opted-in authority which ceases to exist must give notice of that fact to PSAA as soon as practicable after the day on which the authority demises. The Interim S151 Officer will provide such notice on behalf of the two existing Councils at the appropriate time.

5 Links to Corporate Aims / Priorities

- 5.1 The appointment of an external auditor is a regulatory requirement, providing important independent assurance over the Council's arrangements for financial accounting and securing value for money for public services.

6 Finance / Resource Implications

- 6.1 The External Auditor provides a vital role in auditing our accounts, ensuring we are operating within the law and have proper arrangements in place for securing economy, efficiency and effectiveness in our use of resources.
- 6.2 External audit work currently costs a combined circa £111,000 annually for both councils. This covers the core fee set by PSAA, plus additional services related to auditing housing benefit subsidy claims and housing capital receipts pooling returns to Government. Our annual spend on this function and the value of the 'contract' is comparatively small. The costs of running an internal procurement exercise could be disproportionate and consequently it makes sense from a financial perspective to opt into the PSAA scheme.
- 6.3 The Interim S151 Officer has held informal discussion with Grant Thornton regarding the appointment for 2019/20 onwards, in support of the implementation plan for the new council. It is expected that the audit fee for the new council would be lower than the current combined cost of the two existing authorities, thus providing a saving to the new Council. Actual fees will be set by PSAA (if the Council opts in), in consultation with the Interim S151 Officer on behalf of the new Council, and reported to Members once agreed.

7 Legal Implications

- 7.1 We are required by law to have independent external audit arrangements in place. Section 4 of the Local Audit and Accountability Act 2014 imposes the general requirement that the accounts of a relevant authority must be audited in accordance with the Act or a provision made under it by an auditor appointed by the authority, again in accordance with the Act or a provision made under it. The section introduces the term “local auditor” to describe an auditor appointed in this way.
- 7.2 Section 7 of the Local Audit and Accountability Act 2014 provides that an auditor must be appointed by the end of 31st December in the financial year before the financial year which will be covered by the accounts to be audited. Given the timing of this report the S151 Officer has informed PSAA of the intention to opt-in, pending formal resolution by the Shadow Council. The appointment may last for more than one year but a new appointment must be made at least once every five years. The Secretary of State is empowered to alter this period of time by regulations.
- 7.3 Opting into the PSAA scheme provides us with a cost effective and low resource mechanism for delivering this responsibility.

8 Social Value Implications

- 8.1 The proposal relates to the procurement of specialist external auditing work. It will be led by a not-for-profit company established by the Local Government Association.

9 Environmental Impact, Safeguarding and/or Community Safety, Partnership, Health and Wellbeing, Equality and Diversity, Asset Management, Data Protection, Consultation Implications

- 9.1 No implications.

Democratic Path:

- Shadow Corporate Governance and Standards Committee – Yes
- Shadow Executive – No
- Shadow Full Council – Yes

Reporting Frequency: Once only

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