

Agenda Item No.4 (e)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

4 October 2016

Report of the Director of Finance

EXTERNAL AUDITOR ARRANGEMENTS 2017-18

1 Purpose of the Report

To inform Audit Committee of the auditor arrangements for 2017-18.

2 Information and Analysis

Background

The Council's current external auditor is KPMG, this appointment has been made under a contract let by the Audit Commission. Following closure of the Audit Commission, the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State for the Department for Communities and Local Government (DCLG).

When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. 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. PSAA intend to let contracts by mid-2017 to leave up to six months to establish the optimum distribution of appointments, taking into account such issues as independence, firms centres of excellence or geographic hubs.

Auditor Appointment 2017-18

On 22 September 2016, PSAA wrote to the Council confirming the appointment of KPMG to audit the accounts of the Council for 2017-18.

This is an extension of the appointment made under section 3 of the Audit Commission Act for the audit of the accounts up to 2016-17, under the audit contracts previously let by the Audit Commission. The auditor appointment has been extended for one year as a consequence of the extension of the transitional arrangements made by DCLG.

The appointment of KPMG under the current audit contracts will conclude with the completion of the audit of the accounts for 2017-18.

Extension of the transitional arrangements

Following the closure of the Audit Commission in 2015, DCLG delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. These were delegated by a commencement order made under the Local Audit and Accountability Act 2014.

In October 2015, the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the audit contracts for a period of one year for audits of principal local government bodies only. A commencement order was made on 27 June 2016, supported by a revised letter of delegation to PSAA.

The audit contracts novated to PSAA have therefore also been extended for one year for principal local government bodies, and will end with the completion of the audits of the 2017-18 accounts.

Changes to auditor appointments

It is a statutory requirement for PSAA to make the auditor appointment for principal local government bodies for 2017-18, on the basis of the provisions set out in the Audit Commission Act 1998.

Local auditor appointment requirements from 2018-19

The arrangements for local auditor appointment set out in the Local Audit and Accountability Act will apply for audits of the accounts of principal local government bodies from 2018-19 onwards. Auditor appointments must be made for 2018-19 audits by 31 December 2017, as required by section 7 of the Local Audit and Accountability Act 2014. Appointments may be made by the audited body itself, by groups of audited bodies, or by a specified appointing person.

PSAA has been specified by DCLG as the appointing person for principal local government bodies under the provisions of the 2014 Act. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements PSAA is developing.

Further reports will be submitted to Committee on the preferred approach to a local auditor appointment in due course.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

4 Officer's Recommendation

That the Committee notes the details of auditor arrangements for 2017-18 and local auditor appointment requirements for 2018-19.

PETER HANDFORD

Director of Finance