

**Agenda Item No 7(e)**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**14 September 2017**

**Report of the Director of Finance**

**APPOINTMENT OF EXTERNAL AUDITOR  
(COUNCIL SERVICES)**

**1 Purpose of the Report**

That Cabinet notes and approves acceptance of the proposed appointment by Public Sector Audit Appointments Ltd of Mazars LLP as the external auditor of the Council's Statement of Accounts, for five years from 2018-19.

**2 Information and Analysis**

The Council's current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following the closure of the Audit Commission the contract is managed by Public Sector Audit Appointments Limited (PSAA), the body set up by the Local Government Association (LGA) under delegated authority from the Department for Communities and Local Government (DCLG). The current contract ends on 31 March 2018, following an extension of the transitional arrangements made by DCLG.

On 7 December 2016, full Council approved the use of PSAA, the body responsible for appointing an auditor to principal local government and police bodies opting-in to national auditor appointment arrangements for five years from 2018-19, to appoint an external auditor. PSAA must consult each opted-in authority about their proposed appointment and appoint an external auditor by 31 December 2017.

On 19 June 2017, PSAA wrote to the Council to advise that they had completed the procurement to let audit contracts from 2018-19. On 14 August 2017 PSAA informed the Council that Mazars LLP had been successful in winning a contract in the procurement and that they were proposing that this firm be appointed as the external auditor of the Council. The appointment will start on 1 April 2018.

PSAA states that "Mazars is a large global audit and accounting firm with over 18,000 professionals in 79 countries worldwide. In the UK the firm ranks in the top ten, with 1,700 employees and 140 partners working out of 19 offices and

UK fee income in 2016 of £160m. The firm's dedicated public audit team has significant experience in providing external audit to public sector bodies. It comprises individuals with experience of auditing councils, combined authorities, police bodies, fire and rescue authorities, local government pension funds and other public bodies. In addition to its audit contract with PSAA, the firm also has a substantial portfolio of NHS audits and is one of the National Audit Office's framework suppliers for central government audit."

PSAA confirms that they have applied the following principles in selecting this audit appointment:

- ensuring auditor independence;
- meeting commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

The Council is required to either confirm that it is satisfied with the proposed appointment of Mazars LLP to audit the accounts for five years from 2018-19, or make representations as to why it believes there might be an impediment to the proposed firm's independence. The consultation closes at 5pm on 22 September 2017. PSAA will decide whether representations are accepted and has given the following examples of reasons that might be acceptable:

- 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
- there is another valid reason, for example a history of inadequate service from the proposed firm.

PSAA will provide a response to any representations by 16 October 2017. If representations are accepted, there will be a further consultation to select an alternative auditor which will be consulted on between 16-27 October 2017 and a final decision made before 21 December 2017.

The Council is not aware of any issues as to why the proposed appointment of Mazars LLP to audit the Council's Statement of Accounts, for five years from 2018-19, should not be accepted.

### **3 Financial Considerations**

PSAA will consult on 2018-19 scale fees and will publish them in March 2018. Early indications are that a reduction in fees in the region of approximately 18

per cent should be possible for 2018-19, based on individual 2016-17 scale fees. The Council's external audit fee for 2016-17 was £125,356, with a fee of £28,672 for the Pension Fund.

#### **4 Legal Considerations**

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 12 makes provision for the failure to appoint a local auditor. In this event the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the to any authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

#### **5 Other Considerations**

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

#### **6 Background Papers**

Papers held in Technical Section, Finance & ICT Division, Room 137, County Hall.

#### **7 Officer's Recommendation**

That Cabinet notes and approves acceptance of the proposed appointment by PSAA of Mazars LLP as the external auditor of the Council's Statement of Accounts, for five years from 2018-19.

PETER HANDFORD

Director of Finance & ICT