

Crawley Borough Council

Report to Audit Committee

25 July 2018

Update on the Appointment of External Auditor

Report of the Head of Finance, Revenues and Benefits - *FIN/444*

1. Purpose

- 1.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the Appointing Person regime or to establish an auditor panel and conduct their own procurement exercise. This report updates the Audit Committee on the process of appointing external auditors from 2018/19 onwards and on the Housing Benefit Assurance.

2. Recommendations

- 2.1 The Committee is recommended:
- a) To note that the Council has engaged Ernst & Young LLP as the Council's external auditor for Housing Benefit Subsidy Assurance from 2018/19 for five years.
 - b) To note the agreed fee arrangements

3. Reasons for the Recommendations

- 3.1 The Secretary of State for Communities and Local Government specified Public Sector Audit Appointments (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The Council opted into the appointing person arrangements in order to benefit from a national sector-led body which is able to deliver high quality, economic and efficient external audit arrangements. The Audit Committee is responsible for monitoring these arrangements.

4. Background

- 4.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional

arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

- 4.2 The Council's current external auditor is Ernst & Young (EY) LLP, this appointment having 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 LGA (Local Government Association) with delegated authority from the Secretary of State CLG.
- 4.3 Public Sector Audit Appointments Limited (PSAA) has been specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt-in must be made by the authority meeting as a whole, i.e. Full Council. Full Council opted into this arrangement at its meeting on 14 December 2016.
- 4.4 At the time Councillors were notified that PSAA can only procure the audit of the Council's accounts and that Housing Benefit Subsidy audit is outside of the framework and the Council must make separate appointments
- 4.5 EY LLP have been re-appointed by PSAA as the Council's auditor from 2018/19 onwards for the core accounts audit.

5. Assurance of Housing Benefit Subsidy Claims

- 5.1 Due to the wording in the Local Audit and Accountability Act 2014 the Council must make a separate appointment for the purposes of the audit of Housing Benefit Subsidy, which the Department for Work and Pensions (DWP) refers to as assurance. In addition the DWP refers to the auditor as an accountant.
- 5.2 The appointment of the accountant must be notified to the DWP, by 1 March preceding the financial year, who will make a tripartite engagement arrangement with the council. The appointment can only be made from the large firms registered with the Institute of Chartered Accountants of England and Wales to carry out work on public sector accounts. For 2018/19 Local Authorities must notify DWP of the appointment of this reporting accountant by 2 July 2018.
- 5.3 As the audit of the accounts requires systems work and testing of the Housing Benefit Subsidy claim, it is not cost effective in terms for both financial and staffing resources of the Council to have a separate appointment from the firm that PSAA will appoint to undertake the accounts audit. Therefore, the Head of Finance, Revenues and Benefits with the endorsement of the Chair of the Audit Committee has negotiated with the accounts auditor EY LLP to carry out this work.
- 5.4 The fees have been agreed at £12,559 per annum. Where additional work is required as a result of testing (40+ testing) or the DWP further mandated work this will be in the region of £2,500 but will vary between £1,000 and £4,000 depending on the level and nature of this additional testing. This additional

fee if required would be agreed annually in advance with the auditor.

6. Resource Implications

- 6.1 The overall cost of audit between 2017/18 and 2018/19 is shown in the table below:

	2017/18 £	2018/19 £
Core audit	65,313	50,219
Housing Benefit assurance	11,386	12,559
Total	76,699	62,778

7. Legal and Governance Implications

- 7.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014. Separate arrangements are required for audits outside the PSAA regime as detailed in the report.

8. Background Papers

- 8.1 Appointment of External Auditor (FIN/397) [Audit Committee 29 November 2016](#).

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