

**Report for:
INFORMATION**

Item Number: 8

Contains Confidential or Exempt Information	NO
Title	Public Sector Audit Arrangements Update – Reporting Accountant Appointment
Responsible Officer	Ross Brown, Director of Finance
Authors	Maria Campagna, Head of Corporate Finance
Portfolio	Cllr Bassam Mahfouz, Cabinet Member for Finance & Leisure Services
For Consideration By	Audit Committee
Date to be considered	28 November 2018
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	External Audit, PSAA, DWP, Housing Benefits

Purpose of Report:

This report is to inform the Committee that the Executive Director for Corporate Resources, under his delegated authority, plans to approved the appointment of Deloitte LLP, as the Council’s Reporting Accountant for a period of five years for the following:

- Housing Benefit Subsidy audit;
- Teachers’ Pension Return certification; and
- Housing Capital Receipts Pooling Return certification.

Commencing with the returns for 2018/19.

This follows on from Deloitte’s appointment as the council’s external auditor for 2018/19 onwards.

1. Recommendations

1.1 It is recommended that the Committee notes the planned appointment of Deloitte LLP as the Council’s Reporting Accountant for a period of five years for the following, commencing with the returns for 2018/19:

- Housing Benefit Subsidy audit;
- Teachers’ Pension Return certification; and
- Housing Capital Receipts Pooling Return certification.

2. Reason for Decision and Options Considered

2.1 This report is for information only, no decision is required

3. Background

- 3.1 The Local Audit and Accountability Act 2014 (the Act) brought the Audit Commission to an end and established transitional arrangements for the appointment of external auditors and the setting of audit fees for local government and NHS bodies in England. These arrangements lasted until 31 March 2018.
- 3.2 As previously reported to this committee, Deloitte LLP have now been appointed as the council's external auditor for the financial years 2018/19 to 2022/23 through a tendering process that was managed by Public Sector Audit Appointments (PSAA).
- 3.3 The council's previous auditors (KPMG) provided the following 'Reporting Accountant' services which were in addition to auditing the statement of accounts, providing a VFM judgement and issuing the Annual Audit Letter:
- Housing Benefit Subsidy audit;
 - Teachers' Pension Return certification; and
 - Housing Capital Receipts Pooling Return certification.
- 3.4 The requirement to have these returns certified will continue, however the audit contract let by PSAA does not cover them. It has therefore been left for councils to make their own Reporting Accountant appointments.
- 3.5 At the same time as PSAA took on their new responsibilities, the DWP also took the opportunity to review the role of the Reporting Accountant with regard to auditing the Housing Benefit Subsidy claim. DWP issued their updated guidance for Reporting Accountants in March 2018 so it has been possible to confirm the arrangements going forward.
- 3.6 In practice, the majority of councils are opting to appoint their new external auditor to carry out Reporting Accountant duties as this has the benefit of maintaining a single auditor relationship and ensures consistency with the arrangements that were previously in place (and which worked well).
- 3.7 The Executive Director for Corporate Resources, under his delegated authority, is therefore making arrangements to approve the appointment of Deloitte LLP with effect from 1 April 2018, as the Council's Reporting Accountant for a period of five years for the following:
- Housing Benefit Subsidy audit;
 - Teachers' Pension Return certification; and
 - Housing Capital Receipts Pooling Return certification.
- Commencing with the returns for 2018/19.

4. Financial

- 4.1 Deloitte's fees for the certification of grant claims and returns in 2018/19 are currently being confirmed. They are expected to be in line with the fees previously charged by KPMG which were £33,821 per annum.

5. Legal

- 5.1 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 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
- 5.2 Section 12 makes provision for the failure to appoint a local auditor: 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 authority.
- 5.3 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.

6. Value for Money

- 6.1 Compared to previous years, the proposals in this report represent a value for money option.

7. Sustainability Impact Appraisal

- 7.1 Not applicable.

8. Risk Management

- 8.1 There is no immediate risk to the Council; however, early planning will be required to achieve a successful transition to the new arrangement in a timely and efficient manner.

9. Community Safety

- 9.1 Not Applicable

10. Links to Strategic Objectives

- 10.1 Effective financial reporting and audit arrangements support delivery of the Council's strategic priorities.

11. Equalities, Human Rights and Community Cohesion

11.1 The need for the completion of an Equality Analysis Assessment (EAA) was considered but is not required.

12. Staffing/Workforce and Accommodation implications

12.1 Not Applicable

13. Property and Assets

13.1 Not Applicable

14. Consultation

14.1 As per table below.

15. Timetable for implementation

15.1 As set out in the report, the new arrangements need to be confirmed ready for audit of the 2018/19 returns.

16. Appendices

16.1 None

17. Background information

- The Local audit (appointing persons) Regulations 2015
- The Local Government (Accounts and Audit) Regulations 2015
- The Local Audit and Accountability Act 2014
- PSAA Website - <http://www.psaa.co.uk/appointing-auditors/>
- DWP Circular HB S7/2018

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Ross Brown	Director of Finance	15/11/18		
Catherine Taylor	Head of Legal (Litigation and Contracts)	19/11/18		
Ian O'Donnell	Executive Director of Corporate Resources	19/11/18		
Cllr Bassam Mahfouz	Finance and Leisure	19/11/18		

Report History

Decision type:	Urgency item?
For information	No
Report no:	Maria Campagna, Head of Corporate Finance Tel: 0208 825 9727 Email: campagnam@ealing.gov.uk