

NFNPA 510/16

NEW FOREST NATIONAL PARK AUTHORITY

AUTHORITY MEETING – 22 SEPTEMBER 2016

FUTURE EXTERNAL AUDIT ARRANGEMENTS

Report by: Nigel Stone, Chief Finance Officer

Executive Summary:

The Authority's current external auditors are Ernst & Young LLP who were appointed following a national procurement exercise undertaken by the (now defunct) Audit Commission in 2012. The contract was initially for a minimum of three years from 2013/14 to 2015/16 but was then extended to cover the period up to and including 2017/18.

Recent legislation states that future audit provision for the 2018/19 financial year and beyond must be in place by December 2017. Authorities have the option to procure their own auditors, to do so in partnership with other bodies or 'opt-in' to a sector-led arrangement. This paper sets out some of the advantages and disadvantages of each option and concludes that it is currently considered that the sector-led arrangement would be preferable for this Authority. If the Authority wishes to follow this approach, it is likely that it would be required to officially 'opt-in' in November/December 2016, prior to the next full Authority meeting in January 2017, and therefore delegation of this decision to the Chief Executive (in consultation with the Authority Chairman and Chief Finance Officer) is now requested.

1 Introduction

- 1.1 In 2012 the Audit Commission (AC) undertook a significant procurement exercise to appoint auditors for all the public sector bodies for whom it had itself previously undertaken audits; this included the New Forest National Park Authority. Within the AC tender process, the contract was split into lots covering different geographic regions and through this process Ernst & Young LLP was duly appointed as the Authority's auditors. The initial three year contracts up until 2015/16 were extended for a further two years and now run up to the end of 2017/18. The Authority currently pays £13,280 for its external audit each year (this was a 40% reduction in what was previously paid to the Audit Commission).
- 1.2 Under the provisions of the Local Audit and Accountability Act 2014 (the Act), principal authorities must have their future auditors in place by 31 December 2017. There are three options for appointing an auditor:
 - A undertake an individual auditor procurement and appointment exercise
 - B undertake a joint auditor procurement and appointment exercise with other bodies, those in the same locality for example; or
 - C join a 'sector led body' arrangement

2 Option Appraisal

2.1 Option A – procure our own auditor

- 2.1.1 The Authority can choose to find its own auditors but the processes it would have to undertake are highly controlled and could become overly onerous.
- 2.1.2 The Authority would be required to set up an ‘Auditor Panel’ of which a minimum of 50% of the members would need to be newly appointed independent members with specific skills in finance and/or audit. The panel would remain in place throughout the audit contract and would initially draft and oversee the procurement exercise (tender).
- 2.1.3 Key advantages of this option are the full ownership of the process and the ability to produce a bespoke tender aligned solely to this authority.
- 2.1.4 Key disadvantages would be difficulty/timeliness of appointing new expert members, all costs of the process borne alone and potential inability to procure at a low cost i.e. no economy of scale. This latter point is a real concern; due to the small size of the Authority would we get sufficient interest in our tender (even for a five-year contract, this would ‘only’ be a c£70k opportunity for the large audit firms whose turnover can be in billions)?

2.2 Option B – procure an auditor with other bodies

- 2.2.1 The Authority could choose to join other bodies to jointly procure an auditor for all of those bodies. The actual process would be very similar to that set out at 2.1 above.
- 2.2.2 Key advantages would be sharing the work and cost burden amongst a number of bodies and also increased economies of scale compared to option A. We are aware that NFDC are still considering this option and therefore there could be the opportunity to join such a partnership with them and others, however at this point no decision has been made.
- 2.2.2 Key disadvantages would be around the joint working arrangements of the group of bodies and again whether the group is significant enough to gain enough tender responses and good pricing. Brief discussions did take place amongst the national park family about working together in this regard but it was strongly felt that the geographic spread and small nature of the bodies would deter bidders and/or not achieve best pricing.

2.3 Option C – join a sector-led body

- 2.3.1 In early 2016 the Authority was approached by the Local Government Association (LGA) and it informed us they would be looking to establish a sector-led body under the 2014 Act. As a result, Public Sector Audit Appointments Ltd (PSAA) was formed and in July 2016 the Secretary of State for Communities and Local Government officially recognised it as an appointing body.

- 2.3.2 PSAA can be used by any public authorities including any local authority, NHS bodies, police bodies, fire and rescue authorities and 'other' bodies (which specifically includes national park authorities) – in total this could be around 800 organisations.
- 2.3.3 Should an organisation wish to 'opt-in' to the LGA/PSAA scheme, a decision/delegation must be given by a meeting of the full membership (Local Audit Appointing Person Regulations 2015, section 19.1).
- 2.3.4 Key advantages of this option are the reduced process costs/workload (although we are yet to be given specific details on these) and the very significant economies of scale for pricing to be had by such a large procurement exercise (very similar to that undertaken by the Audit Commission in 2012). It is considered that this option is most likely to achieve an annual cost similar to what the Authority currently pays (£13k pa).
- 2.3.5 Key disadvantages are the standardised contracts and tenders issued which would not be specific to this Authority and its needs. In mitigation of this point, it is not considered that this Authority has any substantial 'needs' that are different to other public bodies taking part.
- 2.3.6 Having spoken to a number of other NPA's in recent days, it would seem that the vast majority, if not all, are likely to 'opt-in' to the LGA/PSAA scheme.

3 Timescales / Decision Making

- 3.1 Although the options set out above are fairly clear, there is still some finer detail on the PSAA scheme yet to be given and more clarity to be gained on whether any local bodies are seriously considering option B. It is not recommended that the Authority pursue option A.
- 3.2 The LGA/PSAA scheme has set a draft timetable of:

End of Dec 2016	Bodies formally 'opt-in' to scheme
January/February	Tender document drafted
March/April	Tender released
May-July	Evaluation of tender responses
August	Bodies given an appointed auditor
Sept-Nov	Discussion between bodies and appointed auditor
End of Dec 2017	Contracts signed
1 April 2018	Audit contract begins
- 3.3 Given the timescales above, officers wish to continue to evaluate options B and C over the next few months as more details become apparent but, at this point in time, option C (the LGA/PSAA led scheme) is considered the best option for this Authority. As a final decision is likely to be required before the next Authority meeting (not until 19 January 2017), it is requested that Members delegate the decision to the Chief Executive, in consultation with the Authority Chairman and Chief Finance Officer.

RECOMMENDATION

To delegate authority to the Chief Executive, in consultation with the Authority Chairman and Chief Finance Officer, to determine the future audit arrangements of the Authority for 2018/19 and beyond, specifically including the option to 'opt-in' to a sector-led agreement.

Equality Impact Assessment:

There are no equality or diversity implications arising directly from this report.

Resources:

The annual external audit cost is currently £13,280 per year; the process also requires a significant amount of staff time.

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