

NFNP RAPC 342/17

NEW FOREST NATIONAL PARK AUTHORITY RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 11 SEPTEMBER 2017

EXTERNAL AUDIT – TENDER PROCESS

Report by: Alison Barnes, Chief Executive and Nigel Stone, Chief Finance Officer

1 Background

- 1.1 Members will be aware that in January 2017 the Authority agreed to procuring its future external auditors through a process established by the Local Government Association (LGA) and to be run by Public Sector Audit Appointments Ltd (PSAA) - NFNP paper 513/17.
- 1.2 Email correspondence following the completion of the tendering process was received from PSAA in June and included in the Members' Bulletin on 30 June. This highlighted that a strong response to their audit services tender had been received and the six lots had then been awarded to six major audit firms. It also confirmed that as a result of the tender pricing, a reduction in fees of up to 18% was likely (the Authority currently pays around £13,000 per year).
- 1.3 Further correspondence on the process has now been received and this paper is to update Committee Members on the latest position. This information will also be included within an upcoming Members Bulletin for all Authority Members.

2 Further Correspondence from PSAA on 15 August 2017

- 2.1 The full email recently received from PSAA by the Chief Executive and Chief Finance Officer is attached as **Annex 1**.
- 2.2 The key proposal is for Ernst & Young LLP to be (re)appointed as our external auditors for five years from 2018/19.
- 2.3 The Chief Executive and Chief Finance Officer are asked to confirm either their acceptance of the proposed appointment or to provide representations as to why they would object to it. Reasons for objecting are set out as:
 - The existence of an independence issue
 - Conflicting arrangements already in place with the proposed firm
 - Another valid reason e.g. perceived previous poor performance by the firm.
- 2.4 A formal response from Officers is required by 22 September 2017.

3 **Consideration of the correspondence**

- 3.1 The Chief Executive and Chief Finance Officer are not aware of any reason(s) as to why the Authority would wish to object to Ernst & Young LLP being appointed; to our knowledge there are no independence issues, no conflicting arrangements and no issues with previous performance have been raised.
- 3.2 It is therefore proposed that, following this Resources, Audit and Performance Committee meeting, the Chief Finance Officer will reply to PSAA accepting their recommendation that Ernst & Young LLP are appointed as our external auditors for five years from 2018/19.

4 **Recommendation**

It is recommended that the Committee note the outcome of the agreed PSAA auditor procurement process, including the proposal to appoint Ernst & Young LLP as the Authority's external auditors for a five year period from 2018/19.

Papers:

NFNPA/RAPC 342/17 – External Audit Tender Process

NFNPA/RAPC 342/17 Annex 1 - Emailed correspondence from PSAA Ltd to the Chief Executive and Chief Finance Officer, 15 August 2017

Equality and Diversity Implications:

There are no specific equality or diversity implications arising out of this report

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Annex 1

Emailed correspondence from Public Sector Audit Appointments Ltd to the Chief Executive and Chief Finance Officer from 15th August 2017:

“This is a formal communication to the chief executive and chief finance officer of New Forest National Park Authority to consult on the auditor appointment from 2018/19

I am writing to consult you on the appointment of Ernst & Young LLP to audit the accounts of New Forest National Park Authority for five years from 2018/19. The appointment will start on 1 April 2018.

Background

For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. More information on the [appointing person scheme](#) is available on our website.

About the proposed appointment

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

New Forest National Park Authority has opted into PSAA’s auditor appointment arrangements. We have sent regular email communications to audited bodies about this process, and wrote to you on 19 June 2017 to advise you that we had completed a procurement to let audit contracts from 2018/19. Ernst & Young LLP was successful in winning a contract in the procurement, and we propose appointing this firm as the auditor of New Forest National Park Authority.

Ernst & Young LLP (EY) is a multinational professional services firm with 231,000 employees based in over 150 countries worldwide. They provide assurance, tax, consulting and advisory services, and are one of the "Big Four" accounting firms. EY employs around 13,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance service team, who are also able to draw from an extensive pool of specialists.

In developing this appointment proposal, we have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are 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.

Further information on the [auditor appointment process](#) is available on our website.

Responding to this consultation

We are consulting you on the proposed appointment of Ernst & Young LLP to audit the accounts of New Forest National Park Authority for five years from 2018/19. The consultation will close at **5pm on Friday 22 September 2017**.

If you are satisfied with the proposed appointment, please confirm this by email to auditorappointments@psaa.co.uk. No further action is needed from you.

The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017. We will write by email to all opted-in bodies after this Board meeting to confirm auditor appointments.

Process for objecting to the proposed auditor appointment

If you wish to make representations to PSAA about the proposed auditor appointment, please send them by email to auditorappointments@psaa.co.uk to arrive by **5pm on Friday 22 September 2017**.

Representations can include matters that you believe might be an impediment to the proposed firm's independence, were it to be your appointed auditor. Your email should set out the reasons why you think the proposed appointment should not be made. The following may represent acceptable reasons:

1. there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
2. there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
3. there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.

We will consider carefully all representations and will respond by Monday 16 October 2017 by email.

If your representations are accepted, we will consult you on an alternative auditor appointment between 16-27 October 2017. If your representations are not accepted, we will confirm this to you. You may choose to make further representations to the PSAA Board, providing any additional information to support your case.

We will write to all bodies to confirm the Board's final decision on the appointment of the auditor before 21 December 2017.

Scale fees for 2018/19

We will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately

18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Further [information on the audit procurement](#) is available on our website.

Further information

If you have any questions about your proposed auditor appointment or the consultation process, please email us at auditorappointments@psaa.co.uk.

Yours sincerely

Jon Hayes
Chief Officer”