



Oldham
Council

Report to Council

Appointment of External Auditor From the Financial Year 2018/19

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance HR, and Organisational Development

Officer Contact: Mark Stenson – Head of Corporate Governance

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Ext. 4783

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Reason for Decision

The purpose of this report is for the Council to note the appointment of Mazars by the PSAA from the financial year 2018/19 to:

- a) Undertake the external audit of the Statement of Financial Accounts.
- b) Audit the Teachers' Pension Agency Return.

Executive Summary

The Local Audit and Accountability Act 2014 at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year”. In selecting its external auditor from 2018/19 the Council agreed to use the successor body to the Audit Commission administered by the Local Government Association Public Sector Audit Appointments (PSAA) to undertake a tender exercise and appoint its external auditor direct. This tender exercise has been completed and following an appropriate consultation period Mazars were appointed on the 20th December 2017 by the PSAA as the auditors to Oldham Council. This has resulted in a saving to the Council which has contributed to the approved budget reductions for 2018/19

The Teachers' Pension Agency (TPA) return requires the certification of an appropriate external auditor. This is low value work estimated to cost £5,000 per annum. Whilst the Council could appoint another appropriately qualified firm to undertake this work given their knowledge of the Council and systems developed during the external audit beginning in 2018/19 it is proposed to appoint Mazars direct.

Recommendations

The Council notes the appointment of Mazars by the PSAA as the external auditors to the Council from the financial year 2018/19 and also recommends their appointment as external auditors to the Teachers' Pension Agency Return for 2018/19.

Appointment of External Auditor from the Financial Year 2018/19

1 Background

- 1.1 The Local Audit and Accountability Act 2014 confirmed the abolition of the Audit Commission (AC) and the transitional arrangement where the contracts for external audit including the audit of the housing subsidy grant would be managed by the PSAA. These contracts had the facility to be extended until the end of the financial year 2017/18 at the discretion of the Secretary of State and this discretion was used for the Council's external audit and the audit of housing subsidy grant. The scope of the audit is specified by the National Audit Office who prepares and maintains a Code of Practice.
- 1.2 For the financial year 2018/19 the Council agreed that it would use PSAA to source and appoint the auditor of its Statement of Final Accounts. A tender exercise has been undertaken and, following consultation, the Tender to audit Oldham Council was awarded to Mazars on 20th December 2017.
- 1.3 The appointment of an external auditor from the financial year 2018/19 using the PSAA needs the formal agreement of the Council. All future appointments including a change of external auditor need to be reported to the Council in retrospect.
- 1.4 The current external auditor to the Council is Grant Thornton. When the contract ends on the 31 March 2018 (following the audit of the 2017/18 Statement of Final Accounts) this relationship will cease.
- 1.5 There is still a need to appoint an auditor to undertake work on housing benefit subsidy claims. There is an on-going exercise within the Greater Manchester Authorities to facilitate this appointment. A further report will be required to Council on this matter.
- 1.6 There is a need to appoint an auditor to the Teachers' Pension Agency Return on an annual basis. Whilst this is an annual appointment it is considered sensible to utilise the auditor appointed under the PSAA process to undertake this work given their understanding of council systems generated through the annual audit. The estimated cost of this work annually is £5,000 per annum.

2 Conclusions

- 2.1 N/A.

3 Options/Alternatives

- 3.1 The only option is for the Authority to note the appointment of Mazars as directed by the PSAA. There is discretion to appoint a separate auditor for the TPA return but this is low value work and the recommended option is to appoint Mazars.

4 Preferred Option

- 4.1 The preferred option is that the Council accepts and notes this report in accordance with the recommendations.
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5 **Consultation**

- 5.1 The Audit Committee is the Committee charged with governance. At its meeting on 11th January it received this report for consultation and agreed the appointments as set out in the recommendation were sound.

6 **Financial Implications**

- 6.1 The Audit Fee is budgeted for on an annual basis. The estimated costs for 2018/19 assuming there are no ad hoc work required such as responding to electors queries are:

- External Audit £104.4k
- Teachers' Pension Agency £ 5.0k

Overall the cost of external audit, excluding housing benefit, is estimated to be £109.4k. This has resulted in a saving on the fee charged for 2017/18 which has been used to support the 2018/19 budget. (Mark Stenson)

7 **Legal Services Comments**

- 7.1 The Council needs to appoint an external auditor for the financial year 2018/19 (Colin Brittain).

8 **Cooperative Agenda**

- 8.1 N/A.

9 **Human Resources Comments**

- 9.1 N/A.

10 **Risk Assessments**

- 10.1 The Council needs to appoint an auditor from the financial year 2018/19 to comply with the Local Audit and Accountability Act (Mark Stenson).

11 **IT Implications**

- 11.1 N/A.

12 **Property Implications**

- 12.1 N/A.

13 **Procurement Implications**

- 13.1 N/A.

14 **Environmental and Health & Safety Implications**

- 14.1 N/A.

15 **Equality, community cohesion and crime implications**

- 15.1 N/A.
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16 **Equality Impact Assessment Completed?**

16.1 N/A.

17 **Key Decision**

17.1 N/A.

18 **Forward Plan Reference**

18.1 N/A.

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are included in Appendix 1.

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20 **Appendices**

20.1 **Appendix 1:** Letter confirming 2018/19 External Auditor Appointment.

Confirmation of Auditor Appointment

Oldham Metropolitan Borough Council - this is a formal communication to the chief executive and chief finance officer to confirm the auditor appointment from 2018/19

Auditor appointment

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. I wrote to you on 14 August 2017 to consult you on the proposed appointment of Mazars LLP as the external auditor of Oldham Metropolitan Borough Council from 2018/19.

I am writing now following that consultation to confirm the appointment of Mazars LLP to audit the accounts of Oldham Metropolitan Borough Council for five years, for the accounts from 2018/19 to 2022/23. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.

Next steps

I have passed your contact details to the appointed firm and they will contact you about the arrangements for the audit in due course. In the meantime, if you have any questions about the appointment, please contact us by email at auditorappointments@psaa.co.uk.

Kind regards

Jon Hayes
Chief Officer

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