

**ANALYSIS OF OPTIONS FOR THE APPOINTMENT OF EXTERNAL AUDITORS**

Options	Description of Option	Possible advantages	Possible disadvantages
<p><b>Option i)</b> Direct Appointment</p>	<p>Procuring a stand-alone, direct appointment overseen by a specially set up independent Audit Panel of the authority. The members of the Panel would need to be wholly or a majority of independent members (i.e. not current or former members of the authority). This option would therefore incur costs associated with the recruitment of independent members and of maintaining and supporting the panel.</p>	<ul style="list-style-type: none"> <li>• Full ownership of the process;</li> <li>• Fully bespoke local contract with the auditor;</li> <li>• Tendering process more based on local circumstances (subject to EU Procurement and Public Contract Regulation constraints).</li> </ul>	<ul style="list-style-type: none"> <li>• May not be able to procure at a lower cost, e.g. risk of limited provider choice in the authority location and because a single authority contract may be less attractive to providers;</li> <li>• Therefore, this option may not be able to demonstrate value for money compared with other available options;</li> <li>• Will not achieve economies of scale and could also therefore be unattractive to providers;</li> <li>• The need to appoint appropriately skilled and knowledgeable independent Audit Panel members and an independent panel chair;</li> <li>• Covering the cost of panel expenses;</li> <li>• Contract management administration and costs.</li> </ul>
<p><b>Option ii)</b> Joint Appointment (Joint Auditor Panel)</p>	<p>Joining with other councils to set up a joint independent Auditor Panel. This option would spread the cost across a number of local authorities (for example, this could be a joint procurement with Orbis partners).</p>	<ul style="list-style-type: none"> <li>• Procurement can still be a relatively tailored process;</li> <li>• There may be a greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value;</li> <li>• Less administration than a sole Auditor Panel and the ability to share administration expenses;</li> <li>• May be easier to attract suitable panel members;</li> <li>• An opportunity for fully bespoke contracts with the auditor if the</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially less local input than Option i) meaning the potential for a compromise on arrangements or the auditor contract;</li> <li>• Similarly, may not end up with first choice of auditor, compared to an individual Auditor Panel;</li> <li>• The need to agree appointment of members across multiple authorities and set up a joint decision-making process;</li> <li>• May not achieve competitive fees and may still not demonstrate value for</li> </ul>

		<p>group of authorities can agree;</p> <ul style="list-style-type: none"> <li>• Shared contract management and administrative costs.</li> </ul>	<p>money compared to other available options.</p>
<p><b>Option iii)</b> National Collective Appointment through Public Sector Audit Appointments Limited (PSAA)</p>	<p>A not-for-profit company established by the Local Government Association (LGA), PSAA Ltd, would administer the current audit contracts, let by the Audit Commission before it closes.</p> <p>PSAA have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. PSAA have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to councils' views on the design and operation of the scheme.</p> <p>PSAA have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that PSAA will make auditor appointments to principal local government bodies that choose to opt in to the national appointment arrangements. PSAA will operate for audits of the accounts from 2018/19.</p>	<ul style="list-style-type: none"> <li>• Opting-in to the national arrangement will help to ensure there is a competitive public audit market for the benefit of the whole sector;</li> <li>• By offering large contract values providers should be able to offer better rates and lower fees than are likely to result from local direct or joint negotiation;</li> <li>• The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities (i.e. will be nominal only);</li> <li>• The appointment process would not be ceded to locally appointed independent members. Instead a separate body will be set up to act in the collective interests of the 'opt-in' authorities. This avoids the necessity for the Council to establish an Auditor Panel (or Joint Auditor Panel) or to undertake an auditor procurement (or joint procurement) avoiding higher administrative and procurement costs;</li> <li>• As a sector-led body, PSAA can ensure the appointed auditor meets and maintains the required audit quality standards;</li> <li>• Any conflicts at individual authorities can be more easily</li> </ul>	<ul style="list-style-type: none"> <li>• Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups;</li> <li>• In order for the PSAA to be viable and to be placed in the strongest possible negotiating position, the PSAA will need councils to indicate their intention to opt-in before final contract prices are known.</li> </ul>

		<p>managed by the PSAA who would have a number of contracted firms to call upon avoiding higher local contract management costs and administration;</p> <ul style="list-style-type: none"><li>• A scale of fees will be negotiated which will be able to reflect size, complexity and audit risk of opting-in authorities, similar to current scale fees;</li><li>• Distribution of surpluses to participating bodies;</li><li>• Appointment of the same auditors to bodies involved in significant collaboration/joint working initiatives or across regions (for example Orbis partners) where the parties believe that it will enhance efficiency and value for money;</li><li>• Demonstrates value for money as the approach most likely to achieve the best price and quality combination..</li></ul>	
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