

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 11th July 2014

Subject: Consultation on Auditor Appointment from 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1 Purpose of this report

- 1.1 To consult Members on the Audit Commission's proposal to re-appoint KPMG LLP for a further two years from 2015/16.

2 Background information

- 2.1 The Audit Commission announced in 2013 that it would retender the audit contracts awarded to audit firms in 2006 and 2007. The procurement was completed in April 2014 and the Commission is now making auditor appointments under the new contracts.
- 2.2 Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. A transitional body will be established from 1 April 2015 to oversee the Commission's audit contracts and will have responsibility for the existing statutory functions relating to auditor appointments. The transitional body will manage the contracts until their expiry in 2017 (or 2020 if the Department for Communities and Local Government opts to extend some or all of the contracts). This is the point at which the Council will be required to have their own auditors in place or to have agreed to participate in any collective procurement arrangement.
- 2.3 The terms of reference of for Corporate Governance and Audit Committee include, 'to consider the Council's arrangements relating to external audit requirements'.

3 Main issues

- 3.1 The Audit Commission's letter attached sets out the basis of the proposed appointment. Elsewhere on this agenda is a letter from KPMG LLP setting out the audit fee for 2014/15. As the fees are still set by the Audit Commission, factors that members may wish to take into account could include the quality of work provided by KPMG, the good practice principle of auditor rotation and the timescale for the provisions of the Local Audit and Accountability Act 2014 that includes the requirement for the Council to appoint its own external auditors, subject to the provisions contained in the Act.
- 3.2 Based on the principle that the Council would have to provide clear reasons why we would not support the re-appointment of KPMG LLP, on balance, officers are minded to recommend that we continue with KPMG LLP as the appointed auditors. Factors to take into account are the quality of work produced by KPMG LLP, their period of tenure and the impending requirement to appoint our own auditors.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report based on information provided by the Audit Commission and consequently no public, Ward Member or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This is a factual report based on information provided by the Audit Commission and has no direct implications for equality, diversity, cohesion and integration.

4.3 Council Policies and City Priorities

- 4.3.1 Under the Committee's terms of reference, members are required to consider the Council's arrangements relating to external audit requirements.

4.4 Resources and Value for Money

- 4.4.1 Members should note that there has been no increase in the annual audit fee and the fee for certifying grants and returns has reduced.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 As this is a factual report based on information provided by the Audit Commission none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 The risks associated with this report relate to the advantages and disadvantages of either continuing with KPMG LLP as external auditors until 2016/17 or the Audit Commission appointing another firm for a period of two years until such time as the Council can appoint the external auditors in accordance with the provisions contained in the Local Audit and Accountability Act 2014.

5 Conclusions

- 5.1 The Audit Commission has a statutory duty to consult Councils on the auditor appointment. Members are requested to provide comments to inform any response to the Audit Commission.

6 Recommendations

- 6.1 Members are asked to comment on the proposed re-appointment of KPMG LLP for a further two years.

7 Background documents

- 7.1 None.