

**OPTIONS FOR LOCAL APPOINTMENT OF EXTERNAL AUDITORS - Analysis**

Options	Description	Possible advantages	Possible disadvantages
Option 1 – Make a stand-alone appointment	Procuring a stand-alone appointment overseen by a specially set up independent Audit Panel. The members of the Panel would need to be wholly or a majority of independent members. This option would therefore incur costs associated with the recruitment of independent members and of maintaining the panel. Under this option, the Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.	<ul style="list-style-type: none"> <li>• Full ownership of the process</li> <li>• Fully bespoke contract with the auditor</li> <li>• Tendering process more based on local circumstances (within EU procurement rules)</li> </ul>	<ul style="list-style-type: none"> <li>• May experience difficulties in appointing majority independent panel members and independent panel chair</li> <li>• Will need to ensure that panel members are suitably qualified to understand and participate in the panel’s function</li> <li>• Will have to cover panel expenses completely</li> <li>• May not be able to procure at a lower cost, e.g. depending on authority location, risk of limited provider choice and a single authority contract may be less attractive to some providers</li> <li>• Will not achieve economies of scale</li> </ul>
Option 2 – Set up a Joint Auditor Panel	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 across East Sussex or Orbis partners (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).). There would be a greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value, however, the decision making body would be further removed from local input.	<ul style="list-style-type: none"> <li>• Less administration than a sole auditor panel</li> <li>• Will be able to share administration expenses</li> <li>• May be easier to attract suitable panel members</li> </ul> <p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> <li>• May still be a relatively tailored process</li> <li>• May be able to achieve some economies of scale</li> </ul> <p>If procuring separate audit contracts:</p> <ul style="list-style-type: none"> <li>• An opportunity for fully bespoke contracts with the auditor if the</li> </ul>	<p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> <li>• May need to compromise on arrangements or auditor contract</li> <li>• May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together</li> <li>• Need to agree appointment of</li> </ul>

		group of authorities can agree	members across multiple authorities and set up a joint decision-making process
<p>Option 3 - Public Sector Audit Appointments Limited (PSAA) - The national scheme for appointing local auditors</p>	<p>A not-for-profit company established by the Local Government Association (LGA). Administer the current audit contracts, let by the Audit Commission before it closed. 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 into the national appointment arrangements PSAA will operate for audits of the accounts from 2018/19.</p>	<ul style="list-style-type: none"> <li>• The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities</li> <li>• By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation</li> <li>• Any conflicts at individual authorities would be managed by the PSAA who would have a number of contracted firms to call upon.</li> <li>• The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities.</li> <li>• Avoiding the necessity for the Council to establish an auditor panel and to undertake an auditor procurement;</li> <li>• Savings from one major procurement as opposed to running an individual or East Sussex-wide procurement exercise;</li> <li>• Securing highly competitive prices from audit firms through economies of scale;</li> <li>• A scale of fees which reflects size, complexity and audit risk;</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>

		<ul style="list-style-type: none"><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, this could be an opportunity to appoint the same external auditor for respective authorities within the Orbis partnership), where the parties believe that it will enhance efficiency and value for money.</li></ul>	
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