

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
24 July 2018

**From:** Director of Finance (s151 Officer)

**Subject:** **APPOINTMENT OF EXTERNAL AUDITORS FOR HOUSING BENEFIT SUBSIDY CLAIM CERTIFICATION ARRANGEMENTS AND ASSOCIATED AMENDMENTS TO THE CONSTITUTION**

**All Wards**

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### **1.0 PURPOSE:**

- 1.1 To seek the Audit Governance and Standards Committee's approval and recommendation to Council of the appointment in principle for a period of five years of the Council's external auditor for the audit of the Housing Benefit subsidy grant claims and returns certification arrangements, and associated amendments to the Constitution, as detailed in the report.

### **2.0 BACKGROUND:**

- 2.1 In September 2016 the Audit, Governance and Standards Committee noted the changes to the appointment of external auditors introduced by the Local Audit and Accountability Act 2014 (and associated regulations). The 2014 Act, amongst other things, disbanded the Audit Commission and devolved responsibility for making independent external audit appointments to local authorities.
- 2.2 The then Secretary of State for Communities and Local Government introduced transitional arrangements which gave a new body, Public Sector Audit Appointments Limited (PSAA), power to appoint local authority auditors (which had previously vested in the Audit Commission) provided local authorities 'opted in' to the new national collective scheme which PSAA was developing.
- 2.3 As a result, and on the recommendation of the Audit Governance and Standards Committee, the Council opted in to the new scheme and (through the PSAA) Ernst & Young LLP were appointed as the Council's external auditors. The appointment to audit the Council's accounts is for a period of five years and commenced at the start of the financial year 2018/19.
- 2.4 However, these new arrangements do not, and were not intended to, extend to the appointment of external auditors for the certification of the Housing Benefit subsidy claim arrangements. In consequence, the Council is now required to appoint its own independent external auditors to provide assurance of its subsidy claims, and to notify the Department of Work and Pensions of that appointment.
- 2.5 Local authorities are permitted to use the same audit firm appointed by the PSAA, provided they are 'opted-in' bodies (which the Council is), and the auditor is on an approved list maintained by the Institute of Chartered Accountants in England and Wales. At present there are around ten or so qualifying firms including Ernst & Young.
- 2.6 It is recommended that Ernst & Young LLP is in principle appointed as the Council's external auditor for the period of five years. This will ensure consistency of external auditor functions across the whole Council, in particular as the work undertaken in respect of the Council's accounts is likely to overlap the Housing Benefit subsidy claim

arrangements in areas such as grants testing, income recognition in the Income and Expenditure Account, and the debtor/creditor position in the Council's balance sheet. The appointment will also assist in developing and strengthening strong working practices between the external auditor and the Council.

- 2.7 Should the appointment in principle be approved this will require a waiver of the Council's Procurement Procedure Rules. The Chief Executive in consultation with the Leader of the Council has authority to waive the Council's Procedure Rules in such circumstances. Any waiver must then be reported to Cabinet.
- 2.8 In order to align the Council's Constitution with current auditor appointment practices it is necessary to update the Constitution. Section 2.02 of Part 3 of the Constitution currently provides for the Audit Governance and Standards Committee to "liaise with the Audit Commission over the appointment of the Council's external auditor". Given that the Audit Commission has been disbanded it is proposed that this is amended to state that the Audit Governance and Standards Committee "shall be consulted upon and make recommendations concerning the appointment of the Council's external auditors".

### **3.1 LINK TO COUNCIL PRIORITIES:**

- 3.1 Appointing an external auditor will ensure that the Council has in place proper arrangements for demonstrating the efficient and effective use of its resources, which in turn will ensure that the Council's service requirements are met and will contribute to achieving the priorities set out in the Council Plan.

### **4.0 RISK ASSESSMENT:**

- 4.1 Should the Council fail to appoint an external auditor then the Department of Work and Pensions reserves the right to withhold payments of Housing Benefit subsidy grants until such time as the appointment of an auditor is confirmed.

### **5.0 FINANCIAL IMPLICATIONS:**

- 5.1 The anticipated external auditor fees are set out in the table below. It is expected that the annual fees will remain the same over the five year period.

<b>Revenue Effects</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>
External Audit fee for grant claims and returns certification	11,286	11,286	11,286	11,286	11,286	11,286

### **6.0 LEGAL IMPLICATIONS:**

- 6.1 The audit of the Housing Benefit Subsidy Claims Certification arrangements must be conducted by an independent external accountancy firm appointed by the local authority, which is authorised to carry out such audits pursuant to relevant terms of the Local Audit and Accountability Act 2014 (as amended) and associated regulations.

### **7.0 EQUALITY/DIVERSITY ISSUES:**

- 7.1 There are no specific equality implications to this report.

## **8.0 RECOMMENDATIONS:**

8.1 The Committee is asked to approve and to recommend to Council that:

- (1) the appointment in principle of Ernst & Young LLP as auditors of the Council's Housing Benefit Subsidy Claims Certification arrangements for a period of five years be agreed;
- (2) delegated authority be given to the Director of Finance to negotiate the terms of the appointment and, if satisfied with the terms, to confirm the appointment;
- (4) the Constitution be amended in accordance with paragraph 2.8 of this report.
- (3) the requirement to waive the Council's Procurement Procedure Rules be noted.

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**Background papers:**

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