

ITEM TO BE CONSIDERED IF THE CHAIRMAN AGREES IT IS URGENT

AGENDA ITEM: 7 Page nos. 22-25

Meeting	Audit Committee
Date	5 December 2006
Subject	Appointment of External Auditor
Report of	Deputy Director of Resources & Chief Finance Officer
Summary	To consult the Committee on the Audit Commission's proposed external audit appointment, RSM Robson Rhodes LLP, effective from the 2007/08 accounts.

Officer Contributors	Deputy Director of Resources & Chief Finance Officer, Chief Executive, Director of Corporate Governance, Head of Internal Audit & Ethical Governance
Status (public or exempt)	Public
Wards affected	n/a
Enclosures	None
For decision by	The Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	A response has to be made to the Audit Commission by 22 December 2006 on its proposals for the appointment of the Council's external auditor, following on from the completion of the current arrangement with RSM Robson Rhodes LLP.

Contact for further information: Clive Medlam 0208 359 7110

1. RECOMMENDATIONS

- 1.1 The Committee agrees to the appointment by the Audit Commission of RSM Robson Rhodes LLP as the Council's external auditor for a further term of five years commencing with the audit of the 2007/08 accounts, and requests that the Chief Executive respond to the Audit Commission accordingly by the deadline of 22 December 2006.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Appointment of the Council's external auditor is a significant aspect of a strong and supporting corporate governance framework, contributing towards the Corporate Plan priority of a Better Council for a Better Barnet.

4. RISK MANAGEMENT ISSUES

- 4.1 Whatever the Council's views on this matter, there is no risk of the Council being left without an external auditor since the default position is the Audit Commission going ahead with the appointment it is consulting on. The main risks to the Council are having an external auditor that fails to provide sufficient challenge in its auditing work, or who fails to recognise the Council's achievements in its inspection work.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective external audit provides assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 There is no indication that the appointment of a new external auditor from the commencement of the 2007/08 accounts audit will be followed by a change in the fee regime. Continuation of the relationship with Robson Rhodes, however, will avoid the additional work (and thereby extra cost) that a new firm would need to commit to in its first year in getting to know Barnet.

7. LEGAL ISSUES

- 7.1 The Council's accounts are required to be audited by an auditor or auditors appointed by the Audit Commission (Section 2 (2) of the Audit Commission Act 1998). Before making the appointment, the Commission must consult the Council (Section 2 (3) of the 1998 Act).

8. CONSTITUTIONAL POWERS

- 8.1 The terms of reference for the Audit Committee include liaison with the Audit Commission over the appointment of the Council's external auditors.

9 BACKGROUND INFORMATION

- 9.1 The relationship with Robson Rhodes as the Council's external auditor comes to a conclusion at the end of the 2006/07 accounts audit. The Audit Commission has written to the Chief Executive setting out proposals for the appointment of the Council's external auditor from that point on.
- 9.2 Following a tender process conducted by the Audit Commission, they are proposing to re-appoint Robson Rhodes with effect from the audit of the 2007/08 accounts – initially for a period of five years. Robson Rhodes have nominated Richard Tremeer to be the Engagement Lead (in place of Paul Dossett) and Maryellen Salter to be the Audit Manager.
- 9.3 The alternative choices that appear to have been available for Barnet were the District Auditor and Deloitte. The latter would have caused a conflict of interest, however, since that firm currently provides internal audit support to the Chief Internal Auditor.
- 9.4 A further procurement exercise is underway within the Audit Commission in respect to the appointment of external auditor following on from the re-appointment of Robson Rhodes, and Barnet will be consulted on this at the appropriate time.
- 9.5 The Commission is seeking the Council's views by 22 December, and will respond to any concerns raised by 19 January 2007. The final opportunity to comment on proposals will be 23 February, after which the Audit Commission Board will make the appointment on 22 March.
- 9.6 The Council's three statutory officers support the re-appointment of Robson Rhodes. It is felt that the firm has worked well with the Council to avoid duplication in audit coverage with the internal audit service and in sharing findings once reports have been finalised. It is further considered that the firm has been robust in advising the Council when it had serious concerns (e.g. issuing the Section 11 Notice in 2003), but has also demonstrated a willingness to praise the Council when things have worked well (e.g. improving the financial standing of the Council, consistently improving on the closing of accounts, and recognising improvements made generally when completing the annual Use of Resources judgements).
- 9.7 The one area where officers would like to see some improvement from Robson Rhodes is in respect to visibility, in particular from the Engagement Lead. There have already been discussions with Paul Dossett on this matter and a commitment has been given to improving the on-site visibility of senior external audit personnel.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JEL
CFO: CM