

YORKSHIRE DALES NATIONAL PARK AUTHORITY
AUDIT AND REVIEW COMMITTEE

15th December 2006

CHANGE IN APPOINTMENT OF EXTERNAL AUDITORS

Purpose of report

To inform Members of a change in the appointment of the Authority's external auditors.

Strategic Planning Framework

The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- ***Existing policies and strategies***

NPA's accounts are subject to external audit by an auditor appointed by the Audit Commission (paraphrased from the Authority's Financial Regulations, paragraph 17.1 (i)-(iii)).

Annual Audit & Inspection

The Audit Commission has a statutory duty to appoint external auditors to the Authority, and for the past 10 years, has appointed an officer from its own Northern Region office. This appointment comes to an end after the completion of the audit of the 2006/07 accounts, after which the Audit Commission plan to appoint an auditor from a private sector accountancy practice.

The letter attached to this report gives the detailed explanation of this appointment, but Members will note (from page 2) that the intended appointment will mean that this Authority will retain the same external auditor as both North Yorkshire County Council and the North York Moors NPA, which will ensure consistency across the local audit 'environment'.

RECOMMENDATION

Members are asked to note this report

RICHARD BURNETT
HEAD OF FINANCE & RESOURCES

4 December 2006

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15 November 2006

Mr D Butterworth
Chief Executive
Yorkshire Dales National Park Authority
Yoredale
Bainbridge
Leyburn
North Yorkshire
DL8 3EL

Dear Mr Butterworth

Proposed appointment of external auditor

The Audit Commission has a statutory duty to appoint external auditors to local government and NHS bodies under section 3 of the Audit Commission Act 1998 (and section 43A of the Charities Act 1993 for NHS charities). It may, following consultation, appoint either an officer of the Commission or a private firm. Your current auditor's appointment ends with the completion of the audit of the accounts for 2006/07.

The independent appointment of external auditors is one of the fundamental principles of audit in the public sector and is a key feature of the governance and accountability arrangements for public services.

I am, therefore, writing to consult you formally under section 3(3) of the Audit Commission Act 1998 on our proposals for appointing a new auditor. We are proposing to appoint Deloitte LLP with effect from the audit of the accounts for 2007/08. The appointment would be for an initial period of five years. Deloitte LLP has nominated Chris Powell to be the Engagement Lead and Hayley Stidolph to be the Audit Manager.

Background to our proposal

The Commission's policies in making appointments of external auditors are to:

- always give paramount priority to the need to maintain (and avoid possible threats to) auditor independence;

- seek, wherever possible, to rotate appointments of auditors where the audit provider (whether an officer of the Commission or a private firm) has been the same for ten years or more;
- appoint, wherever possible, the same audit provider to London borough, metropolitan and unitary councils and their coterminous PCTs; and
- seek to provide auditors with portfolios of appointments that are economically and practically viable.

Following the completion of a major procurement exercise for audit and related services from private firms in 2006, the Commission has a choice of appointing within your region either one of its own officers or Deloitte LLP, KPMG LLP and RSM Robson Rhodes LLP to Yorkshire Dales National Park Authority.

We are proposing Deloitte LLP because it provides the firm with a viable portfolio of appointments in the area. The firm has experience of auditing another national park authority, Northumberland, in the area. We are also proposing that Deloitte LLP is appointed to the North York Moors National Park Authority, North Yorkshire County Council and a number of district councils in North Yorkshire. This should maximise the audit efficiencies from auditing a number of bodies in the same area. In addition, we note that Yorkshire Dales National Park Authority has been audited by an officer of the Audit Commission (Northern Region) for the last ten years.

I enclose some background information about Chris Powell, which you may find useful. This includes contact details. I also attach a list of some audited bodies that you may wish to contact to discuss their experience of the delivery of an audit by Deloitte LLP. Your proposed new auditor will be happy to meet with you to discuss any concerns that you may have regarding the proposed appointment.

We recognise that a change in external auditor may be perceived as potentially disruptive to audited bodies. However, the Commission is committed to ensuring a smooth transition when an appointment is rotated, and sets out clear requirements for its appointed auditors in the handover of the audit. A copy of the Commission's requirements is enclosed for your information, and all our appointed auditors are accustomed to complying with them. It is also important to stress that your existing auditor will be responsible for the completion of the audit of the 2006/07 accounts.

We are consulting over 900 audited bodies on the appointment of their external auditors. The Commission is keen to respond positively to concerns expressed during this process. Therefore, the proposal outlined in this letter is provisional, and may need to be revisited in the light of responses received.

The consultation process

The Commission would welcome your views on the above proposal by **Friday 22 December**. We will consider carefully all comments received and will revisit our overall proposals in light of any concerns expressed.

We, together with your current or proposed auditor or relationship manager, are happy to meet you to discuss the proposal, if that would be helpful. If you would like to take up this offer, it would be appreciated if you could contact us by **Friday 23 November**, so that we can co-ordinate meetings with other audited bodies in your area.

We will notify you by Friday 19 January 2007 of any changes affecting our proposal as a result of this initial consultation exercise, explaining our reasoning. There will then be a further opportunity for you to comment on our proposal. We will again consider carefully all comments received and will revisit our overall proposals in the light of further concerns expressed.

The Audit Commission Board will consider all proposed appointments of external auditors at its meeting scheduled for Thursday 22 March 2007. We will confirm the Commission's final decision by Friday 30 March 2007.

The appointments timetable is summarised below:

Deadline for requests for meetings	Friday 23 November 2006
Consultation with audited bodies ends	Friday 22 December 2006
Audit Commission responds to concerns, revises proposals as/if necessary and advises audited bodies by	Friday 19 January 2007
Audited bodies' final opportunity to comment on proposals ends	Friday 23 February 2007
Audit Commission Board considers proposed appointments	Thursday 22 March 2007
Appointments of external auditors confirmed by	Friday 30 March 2007

If you wish to discuss the matter further, in the first instance, please do not hesitate to contact any member of the team:

Keith Douthwaite, Head of Audit Regulation	020 7166 2354
Andrew Davies, Senior Manager, Markets and Fees	020 7166 2450
Mike Norman, Manager, Audit Appointments and Fees	020 7166 2449

You can also contact us through the dedicated email address audit-appointments@audit-commission.gov.uk. In addition, please contact your current auditor if you wish to discuss the matter with them.

We are happy to accept responses by email, via the above address, and we look forward to hearing from you shortly.

If you would like an electronic copy of this letter, please contact us via the above email address.

A copy of this letter has been forwarded to your current and proposed auditor and your relationship manager (where appropriate).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Davies', with a long horizontal flourish extending to the right.

Andrew Davies
Senior Manager, Markets and Fees

BACKGROUND INFORMATION ON PROPOSED AUDITOR

Chris Powell – Deloitte LLP

Chris is a senior partner based in our Leeds office and has over twenty years experience of advising clients in the public, private and community and voluntary sectors. Chris is currently responsible for the audit of two universities and their associated trusts. Chris's wide range of experience enables him to bring a diverse range of skills including financial management and reporting standards and requirements, operational, risk and performance management. Chris has considerable skills in the transition management of audits.

Deloitte LLP – References for the North of England

**Northumberland County Council – Steve Mason (Director of Finance) – telephone:
01670 533000**

**Castle Morpeth Borough Council – Barry Scar (Director of Resources and Property) –
telephone: 01670 535000**

**Tees, Esk and Wear Valleys NHS Trust – Colin Martin (Director of Finance) –
telephone: 01642 288288**

North Tees and Hartlepool NHS Trust – Alan Foster (Director of Finance) -

**University Hospital of North Tees
Hardwick Road
Stockton
TS19 8PE
tel 01642 617617**

**University Hospital of Hartlepool
Holdforth Rd
Hartlepool
TS24 9AH
tel 01429 266654**

**Peterlee Community Hospital
O'Neill Drive
Peterlee
SR8 5TZ
tel 0191 5863474**

STANDING GUIDANCE FOR AUDITORS ON HANDOVER OF AUDITS

The Commission recognises that rotating the appointment of the external auditor to an audited body could present difficulties for the audited body and both the outgoing and incoming auditors if not properly managed. In order to minimise disruption to all parties, and maximise the transfer of the outgoing auditor's knowledge of the audited body, the Commission expects the following:

- co-operation between the outgoing and incoming auditor to ensure that the incoming auditor is fully briefed on the specific audit issues facing the audited body;
- co-operation between the outgoing and incoming auditors to determine responsibility for undertaking specific pieces of audit work in the lead up to, or period immediately following, handover and advise the audited body accordingly;
- where appropriate, co-operation between the outgoing and incoming auditors and relationship manager to ensure that the incoming auditor is fully briefed on the wider issues facing the audited body and the relationship manager is fully briefed on the incoming auditor's future audit arrangements; and
- timely communication of the contact details of the audit team and future audit arrangements and requirements/expectations by the incoming auditor to the audited body.

Co-operation between auditors

The outgoing and incoming auditors are expected to have a joint meeting prior to the handover (it may be appropriate to have a joint meeting with the audited body at some point during the handover period).

The outgoing auditor should arrange for copies of the following to be passed to the incoming auditor on request:

- Specific audit outputs - for up to 6 years prior to handover. These should include:
 - latest audit plan;
 - annual audit letters;
 - reports on use of resources arising from both Commission studies and local projects;
 - public interest reports (and details of any other instances when the outgoing auditor has exercised his/her powers under the Audit Commission Act 1998);
 - annual SAS 610 (or equivalent) report including reports on accounting systems weaknesses; and
 - annual reports on accounts including opinion and certificate pages.
- Correspondence - for up to 6 years prior to handover

Copies of correspondence with members, officers, the public and others relating to the accounts and the audit.