

***This item is in response to a request by the Audit Committee for information on the criteria for appointing external auditors***

**WYRE FOREST DISTRICT COUNCIL  
BRIEFING PAPER TO AUDIT COMMITTEE ON 24 APRIL 2007**

**Appointment of external auditors**

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.

The Audit Commission wrote to consult you formally under section 3(3) of the Audit Commission Act 1998 on its proposals for appointing a new auditor. It proposed to appoint an officer of the Audit Commission (Central Region) with effect from the audit of the accounts for 2007/08. The appointment would be for an initial period of five years. The Audit Commission (Central Region) has nominated me to be the Engagement Lead.

**Background to the 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.

Continued

Following the completion of a major procurement exercise for audit and related services from private firms in 2006, the Commission had a choice of appointing within your region either one of its own officers or KPMG LLP and RSM Robson Rhodes LLP to Wyre Forest District Council. KPMG LLP was awarded a contract but for a lower volume of work that it has at present.

It proposed the Audit Commission (Central Region) because it provides them with a viable portfolio of appointments in the area. It also proposed that an officer of the Audit Commission (Central Region) is appointed as the external auditor to a number of other district councils in Worcestershire, specifically Bromsgrove District Council and Redditch Borough Council. This should maximise the audit efficiencies from auditing a number of bodies in the same area.

The commission and I recognise that a change in external auditor may be perceived as potentially disruptive to audited bodies. However, we are committed to ensuring a smooth transition when an appointment is rotated, and there are clear requirements for its appointed auditors in the handover of the audit. It is also important to stress that KPMG will be responsible for the completion of the audit of the 2006/07 accounts.

A copy of the Audit Commission's letter of appointment, dated 30 March 2007, is attached for information.

**Elizabeth Cave**  
**Relationship Manager and District Auditor**