

**Local Audit and Accountability Act 2014 –  
Selection and Appointment of a Local (External)  
Auditor**

**Report of the Independent Auditor Panel**

**to**

**Newcastle City Council, North Tyneside Council  
and  
Northumberland County Council**

**7 June 2017**



**North Tyneside Council**



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#### Introduction

The Local Audit and Accountability Act 2014 requires that local authorities must have an Auditor Panel to exercise the functions conferred on Auditor Panels under that Act. The Auditor Panel undertakes a variety of functions, including:

- Advising those authorities which it has been convened to support on the **maintenance of an independent relationship with the local auditor** appointed to audit the authorities' accounts
- Advising the authorities on the **selection and appointment of a local auditor** to audit the accounts
- (where relevant) Advising the authorities on any proposals by the authorities to **enter into a liability limitation agreement** with the local auditor
- Any other duties and functions which the Secretary of State may from time to time impose on the Auditor Panel.

#### Our Auditor Panel

Newcastle City Council, North Tyneside Council and Northumberland County Council have together convened one Auditor Panel to serve the requirements of all three authorities. The Local Audit and Accountability Act 2014 requires that the Panel must consist of a majority of independent members (or wholly of independent members); and must be independently chaired.

Our Auditor Panel consists of the following independent members, all of whom independently chair or are independent members of the authorities' respective Audit Committees, and are thus experienced in matters of local government audit and governance:

- **Mr Hamish Moore**, nominated to the Auditor Panel by Newcastle City Council – Chair of the Auditor Panel
- **Mr Kevin Robinson**, nominated to the Auditor Panel by North Tyneside Council
- **Mr Anthony (Ben) Haywood Smith**, nominated to the Auditor Panel by Northumberland County Council

## **Responsibilities Regarding Selection and Appointment of a Local Auditor**

The Local Audit and Accountability Act 2014 requires that all principal Local Authorities in England and Wales must make arrangements to appoint a local (external) auditor to audit their accounts by 31 December in the preceding financial year. This is the first year of operation of the Act, meaning that a local auditor must be appointed by local authorities for the first time to take up their duties from April 2018.

It is each local authority's responsibility to consult and take into account the advice of its Auditor Panel on the selection and appointment of local auditor. It is the responsibility of the Auditor Panel to advise the Authorities on the selection and appointment of a local auditor.

## **A Local Auditor for Newcastle City Council, North Tyneside Council and Northumberland County Council: Procurement and Evaluation**

### Advertisement

On 11 April 2017, the intention of the three Authorities to enter into a collaborative procurement to appoint a local auditor was published. Following this advertisement in the Official Journal of the European Union (OJEU), six tenders were received in response to the Invitation to Tender on 16 May 2017.

### Evaluation of Tenders by Auditor Panel

The Auditor Panel met to consider these tenders on 18 May 2017. The evaluation criteria published as part of the Invitation to Tender set out clearly the selection and award criteria for the contract. The Selection Questionnaire included supplier information, grounds for mandatory exclusion, grounds for discretionary exclusion, economic and financial standing of the tenderers, group / consortium information, technical and professional ability, insurance, health and safety, and compliance with equality legislation.

Following evaluation of the Selection Questionnaire tenders were then evaluated by the Auditor Panel to determine the Most Economically Advantageous Tender. The following award criteria were used to assess the most economically advantageous submission:

### **Quality (40%)**

- (a) Approach to delivering the specified external audit service for each local authority and relevant subsidiary companies
- (b) Details of internal / external processes for quality assurance, and practices and arrangements to ensure the effective conduct of the audit, full independence and the avoidance of any conflicts of interest
- (c) Details of each tenderer's policies in relation to ethical conduct, environmental sustainability, equality and diversity and whistleblowing

- (d) Understanding of the main issues facing each of the three local authorities over the next 5 years, and each tenderer's strategy for supporting each local authority during this period
- (e) Delivery of high quality audit services to all three local authorities, and the added value services which would be included by the tenderer as part of the bid.

**Price (60%)**

Tenderers were asked to provide costs for all three contracting authorities (and any group entities). The total cost of all three contracting authorities and their subsidiary companies over a period of 5 years was used for evaluation purposes.

Clarification Interviews

Following initial scoring of all tenders received against the criteria summarise above, clarification interviews were then held with the three highest scoring suppliers (combined quality and price scores) on 25 May 2017. These interviews were not scored, as explained in the Invitation to Tender, but allowed the Auditor Panel to clarify the tenderers' responses within their tenders. No scores were changed as a result of the clarification interviews.

Outcomes of Evaluation

On the combined quality and cost evaluation criteria applied to the information submitted in the tenders, Ernst and Young scored most highly. The overall evaluation scores are summarised below:

<b>Evaluation Criteria</b>	Maximum Available score	<b>Ernst &amp; Young Score</b>	Tenderer B Score	Tenderer C Score	Tenderer D Score	Tenderer E Score	Tenderer F Score
<b>Quality</b>	40%	<b>38%</b>	36%	33%	36%	33%	27%
<b>Price</b>	60%	<b>57%</b>	31%	37%	32%	60%	24%
<b>Total</b>	100%	<b>95%</b>	67%	70%	68%	93%	51%
<b>Ranking</b>		<b>1st</b>	5th	3rd	4th	2nd	6th

### **Recommendation of Auditor Panel**

Having evaluated the tenders received in accordance with the published selection and award criteria, **the Auditor Panel recommends to Newcastle City Council, North Tyneside Council and Northumberland County Council that Ernst and Young are appointed as the local (external) auditor for each of the three local authorities** for a five year period commencing 1 April 2018.

This tender was judged according to the stated evaluation criteria to be the most economically advantageous tender for each of the three authorities, applying the quality and price measures established. Award to Ernst and Young will also allow compliance with the Public Contracts Regulations 2015.

### **Report Authors:**

Mr Hamish Moore, Chair of Auditor Panel  
Mr Kevin Robinson  
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