



## Governance & Audit Committee 18 April 2016

### Sector-Led External Auditor Appointment Proposal

#### Purpose of report

To set out the proposal by the Local Government Association (LGA) for the appointment of Public Sector Audit Appointments (PSAA) as the Sector-led body for the appointment of external auditors from 2018/19.

#### 1.0 Introduction

- 1.1 The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.
- 1.2 The LGA established an independent company, Public Sector Audit Appointments Ltd (PSAA) to take on the management of the external audit contracts for local public bodies following the closure of the Audit Commission during this interim period.
- 1.3 DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements.
- 1.4 From 2018/19, local government bodies will need to appoint their own auditors.

#### 2.0 The Proposal by the LGA

- 2.1 The LGA has been lobbying for legislation to include the provision for the establishment of a sector-led body to procure future audit contracts and this has been successful.
- 2.2 The LGA proposal is to support the appointment of PSAA as the sector-led body for local government.
- 2.3 It is anticipated that by having a sector-led body in place, procurement costs would be cheaper in comparison to each authority procuring their auditors individually. It would also save time and other costs that would be incurred through the establishment of an Independent Auditor Panel.
- 2.4 In order for the LGA to continue progress to secure efficient, cost effective and good quality arrangements, they have requested an expression of interest by the 30 April from each council. It should be noted that this is not a binding commitment and the LGA will be issuing formal invitations later in the year.
- 2.5 It is recommended that an expression of interest is submitted at this stage and that a formal invitation be given due consideration when it is issued later in the year.

### 3.0 Equality and Diversity Implications

3.1 There are no known equalities issues arising from this report.

### 4.0 Legal Implications

4.1 An expression of interest is sought which is not a binding commitment and therefore there are no legal implications arising from this report.

### 5.0 Risk Management

5.1 There is no impact on risk management as a result of this report.

### 6.0 Resource and Financial Implications

6.1 An expression of interest is sought and does not have any financial implications at this stage of the process.

### 7.0 Constitutional Implications

7.1 The report does not require any amendment to the Council's Constitution.

### 8.0 Customer Service Implications

8.1 There are no customer service implications arising from the report.

### 9.0 Corporate Outcomes

9.1 This report links to the following Corporate Outcome – Effective Management

*(Seeking to secure efficient, cost effective and good quality arrangements in relation to external audit requirements contributing to the effective management of the Council)*

### 10.0 Recommendation

10.1 The Governance and Audit Committee is asked to:

Approve the recommendation to submit an expression of interest to the LGA.

*(Reason: To ensure that the proposal from LGA for the appointment of external Auditors can be considered as an option and that the council can satisfy its obligations in appointing an external auditor in accordance with the deadline of 31 December 2017.*

<b>Legal</b>	Power: Local Audit and Accountability Act 2014, Local Government Act 1972				
	Other considerations:				
<b>Background Papers:</b> CIPFA Guide to Auditor Panels					
<b>Person Originating Report:</b> Michelle Drewery, Finance Manager mdrewery@east-northamptonshire.gov.uk					
<b>Date:</b> 06/04/16					
<b>CFO</b>		<b>DMO</b>		<b>CX</b>	

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