



## Governance & Audit Committee 26 April 2017

### National Scheme for Appointment of External Auditors - Update

#### Purpose of report

To provide Members with an update on the latest information on the arrangements for appointing External Auditors.

#### Attachment(s)

#### 1. Background

- 1.1. This report provides an update following the Council's decision on 12 December 2016 to approve the recommendation by Governance and Audit Committee to opt into the Public Sector Auditor Appointments (PSAA) national scheme for the appointment of external auditors.

#### 2. Current Status

- 2.1 The window for applications to join the PSAA national scheme for auditor appointments closed in early March 2017 where the response to invitation resulted in 483 eligible bodies (over 98%) opting to become members of the scheme. Following such an overwhelming response, PSAA have confirmed their commitment to put in place arrangements which assure the provision of quality audit services by qualified suppliers at affordable fee scales.

#### 3. Next steps

- 3.1 PSAA have been working with a panel of sector stakeholders who have acted as a sounding board and given extremely helpful feedback and guidance on their emerging plans.
- 3.2 PSAA recognise the complementary responsibilities that they have along with local bodies and appointed auditors to help ensure that audits are undertaken effectively to a high standard and in a manner which facilitates local public accountability and want to build on these foundations.
- 3.3 PSAA will be addressing a number of critical next steps in the immediate future which include:
1. Completing the major procurement process to identify the firms which will carry out audits under contract to PSAA. Announcements on the successful suppliers are expected in **June 2017**.
  2. Undertaking the consultation process which will precede the appointment of auditors to individual scheme member authorities. PSAA are committed to ensuring that all appointments are made before the statutory deadline of **31 December 2017**.
  3. Undertaking a further consultation process, **commencing in October 2017**, leading to the approval of fee scales for audits of the 2018/19 accounts, the first year of the national scheme's operation.

- 3.4 As well as ensuring that member bodies are updated regularly on these key actions, PSAA also plan to provide information to assist bodies in relation to other aspects of the new local audit landscape. For example, with effect from 2018/19 there is no provision in legislation for PSAA to make arrangements for housing benefit subsidy certification work on behalf the Department of Work and Pensions. PSAA are committed to assisting the Department to develop appropriate successor arrangements in this area and ensuring that this transition is handled as effectively and seamlessly as possible.

#### **4. Equality and Diversity Implications**

- 4.1. There are no equality and diversity implications arising from this report.

#### **5. Legal Implications**

- 5.1. This report is an update on the national scheme. There are no legal implications as a result of this report.

#### **6. Risk Management**

- 6.1. There is no immediate risk to the Council; however, by monitoring the progress of the national scheme, detailed planning and resource allocation can take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

- 6.2. Further updates will be provided on progress as and when the Council is notified.

#### **7. Resource and Financial Implications**

- 7.1. Current external fee levels are likely to increase when the current contracts end in 2018.

- 7.2. By entering into a large scale national scheme, the council will maximise any opportunity to limit the extent of any increases due to a national procurement arrangement.

#### **8. Constitutional Implications**

- 8.1. Amendments to the terms of reference for the Governance and Audit Committee were approved by Council on 17 October so that this Committee will be able to:  
*Consider the available mechanisms for the appointment of the External Auditor, the audit fee, the provision of any non-audit services by the external auditor and any questions of resignation or dismissal of the External Auditor.*

#### **9. Customer Service Implications**

- 9.1. There are no customer service implications arising from this report.

#### **10. Corporate Outcomes**

- 10.1. This report links to the following Corporate Outcomes:

- 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)*

## 11. Recommendation

- 11.1. The Governance and Audit Committee is requested to note the updates in this report.

*(Reason: To provide assurance that the Council has appropriate arrangements in place and can satisfy its obligations in appointing an external auditor in accordance with the deadline of 31 December 2017).*

<b>Legal</b>	Power: Local Government Act 1972, Local Audit and Accountability Act 2014				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Michelle Drewery, Finance Manager ☎ 01832 742267 ✉ mdrewery@east-northamptonshire.gov.uk					
<b>Date:</b> 27/03/2017					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	