

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: ACCOUNTS & AUDIT COMMITTEE**

**DATES: 28<sup>th</sup> September 2016**

**Contact Details:** Vince Green  
**Tel. No:** 01282 661867  
**E-mail:** vince.green@pendle.gov.uk

## **Appointment of External Auditor – Update**

### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Committee with an update on the provisions of the Local Audit & Accountability Act 2014 regarding the appointment of the External Auditor to the Council and related developments within the public sector linked to this.

### **RECOMMENDATIONS**

2. It is recommended that the Committee notes:
  - (a) the requirements relating to the appointment of External Auditor to the Council for 2018/19 and,
  - (b) the recent developments, led by Public Sector Audit Appointments, for a national collective scheme for auditor appointments.

### **ISSUE**

#### Introduction

3. In January 2014 the Local Audit & Accountability Act received Royal Assent. Part 3 of the Act contains provisions for the Appointment of Local Auditors. The Council, as a 'relevant authority' must appoint a local auditor to audit its accounts for a financial year not later than 31<sup>st</sup> December in the preceding financial year.
4. Under current arrangements the Council's appointed auditor is Grant Thornton. The firm was appointed under arrangements established by the former Audit Commission which were subsequently delegated on a transitional basis to the Public Sector Audit Appointments (PSAA) on the abolition of the Audit Commission. Under these transitional arrangements, the PSAA is currently responsible for appointing auditors to local government (and other sectors), the setting of audit fees and arrangements for the certification of Housing Benefit subsidy claims.

5. For local government these transitional arrangements have been extended to include the audit of the accounts for 2017/18. For the 2018/19 year of audit the Council can make its own arrangements to appoint the external auditor. The 2014 Act sets out the framework and requirements within which this appointment can be made. In accordance with the Act the Council will need to conclude this appointment by the end of December 2017.
6. There appear to be 3 options, namely,
  - Make the appointment direct – with requirement to have an Auditor Panel to advise the council on the selection and appointment of a local auditor;
  - Make the appointment in conjunction with other bodies (e.g. on a regional / sub-regional basis);
  - Make the appointment via a national collective scheme.
7. No decision has yet been taken in connection with the options above and further reports will follow on this matter in the coming months. However, the rest of this report outlines, for the Committee, recent developments concerning the role of the PSAA (<http://www.psa.co.uk>).
8. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that *choose to opt into* its arrangements. The Local Government Association (LGA) is strongly supportive of this and the PSAA is leading on the development of this national option.
9. The PSAA has produced a prospectus to explain how they are developing such a scheme for local auditor appointments and a copy is attached at **Appendix A** for information. The PSAA is currently working on the details of the scheme, including a timetable.
10. The date by which principal local government bodies will need to opt into the appointing person arrangement is not yet finalised. The aim is to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the 31 December 2017 deadline. The PSAA anticipate that invitations to opt in will be issued before December 2016.
11. The Local Audit (Appointing Person) Regulations 2015 require that a principal authority may only make the decision to opt into the appointing person arrangement by the members of the authority meeting as a whole (i.e. a decision of the Council).
12. Further updates will follow in due course.

## **IMPLICATIONS**

### **Policy**

13. No policy implications arise from this report.

### **Financial**

14. There are no direct financial implications resulting from this report.

### **Legal**

15. There are no direct legal implications resulting from this report.

## **Risk Management**

16. There are no immediate risk management implications resulting from this report. Risk considerations are likely to form part of the decision as to which of the options to take concerning the appointment of the external auditor.

## **Health and Safety**

17. There are no health and safety implications arising from the contents of this report.

## **Sustainability**

18. There are no sustainability issues arising from the contents of this report.

## **Community Safety**

19. There are no community safety issues arising from the contents of this report.

## **Equality and Diversity**

20. There are no equality and diversity issues arising from the contents of this report.

## **APPENDICES**

[Appendix A](#): PSAA – Prospectus

## **LIST OF BACKGROUND PAPERS**

None.