

**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>29 September 2016</b>	<b>AGENDA ITEM:</b>	<b>4</b>
<b>TITLE:</b>	<b>FUTURE AUDIT ARRANGEMENTS - APPOINTMENT OF PUBLIC SECTOR AUDIT APPOINTMENTS LTD</b>		
<b>LEAD COUNCILLOR:</b>	<b>CLLR STEVENS</b>	<b>AREA COVERED:</b>	<b>CHAIR OF AUDIT &amp; GOVERNANCE</b>
<b>SERVICE:</b>	<b>FINANCIAL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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**1. PURPOSE AND SUMMARY OF REPORT**

- 1.1 Further to the report in April 2016, this report explains the latest position in relation to the requirement in the Local Audit & Accountability Act 2014 for the Council to eventually appoint its own external auditor.
- 1.2 Following the approval of Public Sector Audit Appointments Limited (PSAA) as the appointing person under the Act, this report recommends that to ensure the Council gets the best price for its independent external audit, and can minimise the work involved locally that PSAA is asked to assist the Council in finding an auditor, and authorises the Head of Finance to progress arrangements, reporting to Council in due course.

**2. RECOMMENDATION**

- 2.1 Audit & Governance Committee are requested to note that the Government have recently appointed Public Sector Audit Appointments Limited (PSAA) as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015.
- 2.2 Audit & Governance Committee confirms its recommendation to ask PSAA to assist the Council in finding an Auditor for 2018/19 and beyond, and delegates to the Head of Finance authority to make arrangements to progress the process once PSAA publish the timetable.

2.3 Audit & Governance Committee note that a meeting of Council will need to confirm the audit appointment in due course.

### 3. POLICY CONTEXT

3.1 In April the Committee resolved that it supported in principle a proposal that we ask Public Sector Appointments Ltd to assist with the appointment of an external auditor for the 2018/19 and subsequent accounts.

### 4. BACKGROUND

4.1 The previous Secretary of State decided to abolish the Audit Commission and give local authorities the power to appoint their own auditor. During the passage of the legislation through parliament, the Local Government Association argued that there should be a facility for authorities to club together at a national level to make appointments.

4.2 Public Sector Audit Appointments Ltd (PSAA) was set up initially as part of the transitional arrangements associated with the Audit Commission's abilities to manage the run off of the contracts let by the Commission, but with the intention that in due course it would apply to be able to let future contracts. PSAA sits within the LGA Group, and currently works from the LGA's offices.

4.3 The Government has recently confirmed PSAA's appointment in the latter role, and PSAA wrote to chief financial officers in August as in the Appendix. Whilst the timetable is not yet certain, the appendix indicates "opt in" decisions will be invited before December. The appendix outlines the process thereafter leading to a formal appointment of an auditor for 2018/19 during the second half of calendar year 2017 (as the legal deadline to appoint is 31 December before the 1 April in the year the appointment commences)

### 5. FINANCIAL IMPLICATIONS

5.1 None, directly from this report, save that in principle the decision should ensure a value for money independent audit appointment in due course

### 6. LEGAL IMPLICATIONS

6.1 The proposal significantly simplifies the process the Council would need to undertake to appoint an auditor. Were the Council to choose to do this independently, we would need to set up an auditor panel (including an independent chair and other independent members (in the majority)), run our own procurement and follow various other tightly specified procedures.

6.2 By asking PSAA to do this, the only thing the Council will need to do in due course is formally confirm the appointment. That is a reserved function of Council,

**7. CONTRIBUTION TO STRATEGIC AIMS / COMMUNITY ENGAGEMENT /EQUALITY IMPACT ASSESSMENT**

7.1 None directly from the report.

**8. BACKGROUND PAPERS**

8.1 Communication from PSAA received by e-mail in Appendix

8.2 Local Audit & Accountability Act 2014 & Local Audit (Appointing Persons) Regulations 2015

Appendix

17 August 2016

**Subject: PSAA has been specified by DCLG as the appointing person for auditor appointments at principal local government bodies**

Dear Mr Cross

I am writing to you with updated information on the position on local auditor appointment requirements, following recent developments.

### **Local auditor appointments**

Last month, the Secretary of State for Communities and Local Government confirmed that Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements we are developing, for audits of the accounts from 2018/19.

Current auditor appointments are made under the audit contracts previously let by the Audit Commission and now managed by PSAA under transitional arrangements. These audit contracts will end with the completion of the 2017/18 audits for principal local government bodies including police and fire bodies, and the completion of the 2016/17 audits for NHS bodies.

A top priority for PSAA in developing the new scheme will be to ensure we are able to make independent auditor appointments at the best possible prices. We will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration or joint working initiatives.

We are currently working on the details of the scheme, including a timetable, and will provide further information as soon as possible.

### **Timetable**

Over the next few months all principal authorities will need to decide how their auditors will be appointed under the new requirements. They may make their auditor appointment themselves, or in conjunction with other bodies. Or principal local

government bodies can take advantage of the national collective scheme that PSAA is developing, which should pay dividends in terms of quality, cost, responsiveness and convenience.

New appointments, for the 2018/19 accounts for principal local government bodies, must be made under the provisions of the 2014 Act and confirmed by 31 December 2017.

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. We anticipate that invitations to opt in will be issued before December 2016.

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, except where the authority is a corporation sole, in which case the decision may be made by the holder of the office.

### **More information**

We will provide further updates as soon as we can.

Information is available on our website on the [specified appointing person arrangements](#) and on the [transition to local auditor appointment](#) more generally. A [prospectus for the new scheme](#) is also available on the website.

If you have a specific enquiry please contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk).

Yours sincerely

Jon Hayes  
Chief Officer