



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	28 JULY 2016
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	SECTOR LED BODY FOR EXTERNAL AUDITOR APPOINTMENTS - OPT IN
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To apprise Members on the proposal from the Local Government Association (LGA) that Public Sector Audit Appointments Ltd (PSAA) is appointed as the sector-led body to procure future External Audit contracts for local government.

2.0 RECOMMENDATIONS

- 2.1 Members are recommended to note the report.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 At this stage the contents of the report are for Members information only.

4.0 SIGNIFICANT RISKS

- 4.1 The Council is required to have appropriate External Auditors. A sector-led body to negotiate contracts would undertake the due diligence and other associated requirements for contract tendering and negate the need for an independent auditor appointment panel.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 External Audit is part of the Governance framework of the Council which assists with the assurances around financial resilience.

REPORT

6.0 REPORT DETAILS

- 6.1 In August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements to audit local public bodies in England. The Government consulted widely and worked with a range of partners to develop and refine its proposals. The Local Audit and Accountability Act 2014 which received Royal Assent in January 2014 led to the abolition of the existing regime which included the Audit Commission.
- 6.2 The closure of the Audit Commission on 31 March 2015 heralded the start of the process of devolving the responsibility for making external audit appointments to all public bodies including all classes of local authorities, police, fire and rescue bodies (where separate), waste disposal, transport authorities and executives, together with relevant NHS bodies.
- 6.3 Initially transitional arrangements were put in place until 31 March 2017. PSAA, an independent company established by the LGA, was set up to manage the existing appointments.
- 6.4 The Council is currently audited by KPMG LLP who were appointed as the Council's auditors from 1st April 2015.
- 6.5 The transitional arrangements were due to expire when the 2016/17 audits are complete. On 5 October 2015 the Secretary of State notified his intention to extend the transitional arrangements, larger local government bodies will remain on current appointments contracts until the completion of the 2017/18 audits. This means new appointments will need to be made by 31 December 2017.
- 6.6 In 2017, the Council will need to make choices about the arrangements for appointing its external auditors. Briefly these options comprise;
- i. setting up an independent Auditor Panel
 - ii. joining with other councils to set up a joint independent Auditor Panel
 - iii. opting-in to a sector lead body that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an independent Auditor Panel.
- 6.7 The view of the statutory officers (s151, Head of Paid Service and Monitoring Officer) is that at this stage the Council should express an interest for opting-in to a sector led body for the following reasons;
- i. The Audit and Accountability Act 2014 sets out the criteria for the Independent Auditor Panel. The criteria are;
 - a) the panel must be made up from a majority of wholly independent members
 - b) the Chair must be an independent member (this means that the panel must consist of at least 3 if not 5 members)
 - c) members of the panel must not have been a member or officer of the Council within 5 years
 - d) members of the panel cannot be a member or officer of an entity associated with the Council within 5 years
 - e) members of the panel cannot be a close relative or friend of a member or officer of the Council

- ii. Setting up an independent Auditor Panel just for Ryedale District Council may not be practicable due to the criteria that need to be met for panel members.
 - iii. The option for joining with other councils to set up a joint independent Auditor Panel may not be practicable because of the criteria, depending on which Councils joined together. Unless there were reciprocal arrangements between different groups.
- 6.8 The consensus from colleagues within North Yorkshire is that a sector led body should be the most cost effective route.
- 6.9 PSAA responded to DCLG's market enquiry for bodies interested in becoming the sector led appointing person and has submitted an application. They are now waiting to hear from DCLG as to the next steps and timetable. It is still expected that PSAA will be specified as a sector led body by September, they may or may not be the only one. Formal invitations to opt-in will be issued shortly after that. The likely deadline for opt-in will be November/December 2016. The legislation requires a minimum of 8 weeks between invitation and closure of the window to opt-in.
- 6.10 It is currently understood that formal opt-in will require full council approval. The LGA is seeking advice on whether councils can get 'approval in principle' in advance of the formal invitations to opt-in being received.
- 6.11 The next stage will, depending on timing, either be a report to this committee with a recommendation to Council or a report straight to Council.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
There are no financial implications associated with this report.
 - b) Legal
There are no legal implications associated directly with this report.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
There are no additional implications within this report.

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Background Papers:
None