

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	24 th June 2015

APPOINTMENT OF EXTERNAL AUDITORS

PURPOSE OF REPORT

1. To inform members of a recent Local Government Association (LGA) survey seeking the views of council chief executives on the options for appointing external auditors beyond March 2017 when their current contracts cease.

RECOMMENDATION

2. That the report be noted.

EXECUTIVE SUMMARY OF REPORT

3. The report provides members with information on councils' appointment / procurement options for external audit provision after March 2017 together with the LGA's views on the respective advantages and disadvantages.
4. The LGA will use the results of the recent survey to influence the decision making by the Department for Communities and Local Government (DCLG) in terms of their agreed way forward.

Confidential report	Yes	<u>No</u>
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CORPORATE PRIORITIES

5. This report relates to the following strategic objectives.

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

LGA SURVEY

6. The external audit contracts let by the Audit Commission are due to end in March 2017 but they can be extended for up to three years. If they are not extended the options are either:
 - all councils procure their own external auditor; or
 - a sector-led body is created to procure external audit on behalf of councils in the future, in the same way that the Audit Commission has done to date.
7. Members will be aware that Grant Thornton currently provides the external audit service to Chorley Council.
8. The LGA's view is that a contract extension would be in the best interests of councils in the immediate term and that there are many benefits to be derived from councils banding together to enter into collective procurement arrangements in the future.
9. The main purpose of the LGA survey was to test authorities' views on this to help inform their strategy to influence the DCLG's consideration of the decision on extending the current arrangements and consider their own plans for a sector-led body for collective audit arrangements, based on the results of the survey.
10. The results of the survey will be aggregated and no individual or authority will be identified in any publications without consent.
11. The LGA identified the following advantages and disadvantages to extending the contracts and facilitating collective procurement arrangements:

Advantages of extending the contracts:

- The current historically low audit fees, which are worth £24m per annum to local government, would be locked-in during the contract period.
- In the immediate term, the extension of contract will save councils the cost of moving to the new arrangements and allow greater time to establish sensible collective procurement arrangements.

Advantages of collective procurement:

- Purchasing power to negotiate audit fees with accountancy firms, worth an estimated £30m annually.
- Savings on the costs of Invitation to Tender exercises at some 400 local government sector bodies alone.
- Avoids the need for councils to establish Independent Audit Appointments Panels.
- Economies of scale achieved from collective procurement, enabling the firms to plan and resource audits more efficiently and effectively.
- Quality monitoring and other information sharing across contracts (with appropriate protections over confidentiality).
- A central body could provide wider services e.g. data collection and certification schemes.

- Resolution of sector wide issues, such as the possible need to indemnify audits for legal costs defending claims in respect of the exercise of statutory powers.
- Sensible distribution of audit appointments taking in to consideration joint working between individual councils and other public bodies such as NHS trusts, managing rotations where conflicts of interest arise.

Disadvantages of collective procurement:

- Councils will not choose their own auditor but will have the ability to influence the selection criteria.
- Some may see collective procurement as a move away from local autonomy

12. Members will be informed of the results of the LGA survey once they are published together with the actual decisions taken by the DCLG in due course.

IMPLICATIONS OF THE REPORT

This report has no implications for specific services. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
LGA Survey	2015	Shared Assurance Services	Civic Centre Leyland

Report Author	Ext	Date	Doc ID
Garry Barclay	(01772) 625272	June 2015	LGA Survey.doc