

**REPORT OF THE CORPORATE COMMITTEE No. 3, 2016/17
COUNCIL 27 FEBRUARY 2017**

Chair:
Councillor Barbara Blake

Deputy Chair:
Councillor Eddie Griffith

INTRODUCTION

- 1.1 This report to Full Council arises from the report on the External Audit Appointment Process, considered by the Corporate Committee at its meeting on 29 November 2016. The report considered by the Committee is attached as appendix 1.

SUMMARY

External Audit Appointment Process

- 2.1 We considered the report on the External Audit Appointment Process, which set out the alternative options of the Council making its own arrangements for the appointment of its external auditor, via an Auditor Panel, or using the appointed 'sector led body' Public Sector Audit Appointments Ltd (PSAA) and the implications of each approach. We noted that we were being asked to make a recommendation on the approach to adopt, as the Committee with responsibility for oversight of external audit arrangements, but that the final decision was legally reserved for Full Council, and the deadline for this decision to be taken by is 9 March 2017. The report recommended the use of PSAA for the appointment of the Council's external auditor.
- 2.2 We asked about the arrangements for audits of local health trusts being made available to the Council's Overview and Scrutiny Committee, in response to which we were advised that the Overview and Scrutiny Committee, along with the Health and Wellbeing Board, would have a role in commenting on the health trust's qualitative account and that as part of that process the Committee should request additional external audit reports.
- 2.3 We asked about the accountability of PSAA; the Head of Audit and Risk Management advised that the PSAA was wholly owned by the Local Government Association and had a remit restricted to managing the appointment of external audit services to the local government sector. The PSAA had already stated that it intended to avoid the larger firms that tended to dominate the market and would look at mid-sized audit firms as part of its work, with arrangements in place such that contracts were not awarded solely on price terms. We noted that this would be a significant public sector procurement exercise and would therefore exceed the OJEU threshold – all elements of the process would therefore be available for public scrutiny. In addition, PSAA would be required to file accounts as a limited company.

WE RECOMMEND

That Full Council resolve that the external auditor for the Council and for the pension fund should be appointed by Public Sector Audit Appointments Ltd (PSAA), a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the Local Government Association.