

ITEM 11

WEST OF ENGLAND COMBINED AUTHORITY (“WECA”)

DATE: 01 MARCH 2017

PROCUREMENT OF EXTERNAL AUDITORS

Purpose of Report

1. The report sets out the background and statutory requirements for the WECA to approve the procurement route for the External Auditors to the WECA, under the Local Audit & Accountability Act 2014.

Issues for Consideration

2. To make appropriate arrangements for the appointment of the WECA’s External Auditors recognising the limited resources and capacity within the WECA to carry out the exercise on a standalone basis.

Insert Title for the Body of the Report

3. External Auditor Appointment Process
 - 3.1. The Local Audit & Accountability Act 2014 put in place the framework which will allow local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms. The Audit Commission was also responsible for standard setting.
 - 3.2. In August 2010, the then Secretary of State for Communities and Local Government announced that the Audit Commission would be abolished. His stated aims were to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.
 - 3.3. As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded to Grant Thornton, KPMG, Ernst & Young and Mazars. The new contracts commenced in 2012 and saved over £25M nationally in audit fees each year.

- 3.4. The Audit Commission itself closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association.
- 3.5. Only the full authority has the ability under the Local Audit & Accountability Act to approve the use of PSAA Ltd to carry out future external audit procurement processes on our behalf.
- 3.6. The use of the PSAA Ltd will enable the WECA to come together with other authorities to procure audit services through a sector led organisation (PSAA Ltd) and secure the associated economies of scale.
- 3.7. Whilst the Act allows the WECA to appoint their own auditors or to make a joint appointment directly with other authorities this approach would require the establishment of an auditor panel and the undertaking of a separately resourced procurement exercise.
- 3.8. Therefore within the local authority sector the vast majority of authorities have already expressed a preference to join a sector led procurement exercise from PSAA and it is the recommendation of the S151 Officer that the WECA should also follow this option.
- 3.9. There are no direct charges from using PSAA Ltd and there are very clear financial and quality benefits by following the recommended option which should also help the major firms to plan their resources and bids more effectively.

Legal Implications

4. The Local Audit & Accountability Act 2014 changed the framework for the future of the external audit regime and the Local Audit (Appointing Persons) Regulations 2015 sets out at regulation 19 that only the full authority can approve the procurement route for the appointment of the Council's External Auditors. PSAA Ltd has been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies under the provisions of the 2014 Act.

Human Resources Implications

5. No direct implications.

Environmental Implications

6. No direct implications.

Social Implications

7. No direct implications.

Economic Implications

8. There are no direct financial implications as the sector led body (PSAA Ltd) are funded through the LGA and no direct charge is being made. Estimated costs of external audit will be included in the WECA Budget proposal for 2017/18.

Equality Impact Assessment

9. There are no specific implications arising from this report..

Risks, Mitigations and Opportunities

10. The use of PSAA Ltd will enable the risks associated with the procurement to be effectively managed and resourced. An effective External Auditor demonstrates one aspect of good governance on behalf of the WECA helping to ensure that the Authority is delivering good value and managing its key risks appropriately.

RECOMMENDATIONS

The WECA is recommended to:-

1. **Approve the use of Public Sector Audit Appointments Limited (PSAA Ltd) to manage the procurement process for the appointment of External Auditors to the WECA.**

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Background Papers

None.