
**Manchester City Council
Report for Information**

Report to: Audit Committee - 26 January 2017
Subject: Options for Appointment of External Auditor
Report of: City Treasurer and Head of Audit and Risk Management

Summary

The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” Current auditor contracts have been extended for 12 months, therefore for the City Council the appointment of an auditor must be completed by 31 December 2017 for the audit year 2018/19.

Recommendations

Audit Committee to note the current position in respect of arrangements for the appointment of external auditors and confirm the proposed approach to be taken by the City Treasurer to brief Audit Committee in advance of a formal decision report to Council.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Documents used in the development of the assurance report include:

- DCLG: Government response to the Future of Local Audit
- DCLG: Future of Local Public Audit – consultation: summary of responses
- Local Audit and Accountability Act 2014 (the Act)
- CIPFA Guide to Auditor Panels
- Report to Audit Committee 5 October 2016

1 Introduction

- 1.1 In October 2016 Audit Committee received a report on proposals for the appointment of external auditors. This report provides an update on progress.

2 Background

- 2.1 In summary, the October 2016 report confirmed the requirement, following the closure of the Audit Commission, for all local government and NHS bodies in England to locally appoint their external auditors.

- 2.2 The report confirmed three broad options open to the Council under the Act which are:

- Option 1: Make a stand-alone appointment as Manchester City Council
- Option 2: Establish local joint procurement arrangements
- Option 3: Opt-in to a sector led body appointed by the Secretary of State under the Act - Public Sector Audit Appointments Limited (PSAAL).

- 2.3 New appointments for auditors need to be made by December 2017 regardless of which option is chosen.

- 2.4 The report concluded that the City Treasurer and counterparts in GMCA, TfGM, GMPCC, GMP, GMFRS and across GM local government were supportive of the proposal for a GM level procurement (Options 2) and sought approval for this option to be pursued.

3 Further Developments

- 3.1 Since the October 2016 Audit Committee, GM treasurers have engaged in further discussions and meetings with PSAAL to explore whether the approach being developed could be utilised to better meet the City Council and GM local authority needs. In particular PSSAL were asked whether their process would (i) enable the same external auditor to be appointed to all GM local authorities and (ii) ensure an acceptable recognition of social value to be reflected in the procurement process. If these requirements could be met then GM treasurers are minded to opt into this sector led procurement approach given it could result in lower procurement costs and fees than might be achieved through a local appointment process.

- 3.2 Discussions with PSSAL have been ongoing over the last two months. It appears likely at this stage that they would be unable to guarantee the same external auditor for all GM local authorities but can provide reasonable assurance that it would be feasible for the same firm to be appointed for GMCA, TfGM and GMP. The City Treasurer and other GM treasurers are accepting of this position.

- 3.3 The weighting to be afforded to social value in the procurement process is less clear as two options are being presented to the PSAAL Board on 18 January. One of these options affords a lower weighting to social value than may be acceptable to a number of GM local authorities. This could result in some or all of the GM local authorities deciding to pursue the joint local appointment outside of the sector led approach.
- 3.4 A key challenge is that the deadline to opt into the sector led approach is 9 March 2017 and is a decision that must be approved at Full Council.

4 Next Steps

- 4.1 The City Treasurer and GM local authority treasurers await the decision to be made by PSSAL on 18 January in respect of procurement award criteria as this will inform the final recommendation to be made to each local authority.
- 4.2 The City Treasurer will write to all Audit Committee members to confirm the final proposed option in advance of a report that will need to be approved by Council in March.

5 Recommendations

- 5.1 Members are requested to note the current position in respect of arrangements for the appointment of external auditors and confirm the proposed actions to be taken by the City Treasurer to brief Audit Committee in advance of a formal report to Council on 3 March 2017.