GMCA Audit Committee

20 January 2017

Appointment of External Auditors

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<td>Richard Paver    Treasurer to GMCA</td>
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PURPOSE OF REPORT
Audit Committee previously considered the proposal for the establishment of a local joint procurement arrangement with neighbouring authorities for the provision of external audit services from 2017/18 and approved the GMCA Treasurer to progress actions necessary to develop the procurement process.

Discussions have since taken place amongst GM Local Authority Treasurers and with Public Sector Audit Appointments Limited (PSAAL) regarding opt-in to a sector led, national procurement process.

This report provides an update for Authority Committee on the current position and proposed next steps.

RECOMMENDATION
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 GMCA Treasurer to brief Audit Committee in advance of a formal decision report to GMCA in February.

PRIORITY
This report is produced to support Audit Committee oversight of risk and assurance across GMCA and AGMA.
**BACKGROUND DOCUMENTS**
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 September 2016

**RISKS/IMPLICATIONS**

| Financial: | Cost of Internal Audit and Risk Services within GMCA budget. |
| Staffing: | No impact |
| Policy: | No impact |
| Equal Opportunities – Has a Diversity Impact Assessment been conducted? | No |

**TRACKING/PROCESS**

| Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board | No |

**EXEMPTION FROM CALL IN**

| Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency? | No |

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<th>AGMA Commission</th>
<th>TfGMc</th>
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1 Introduction

1.1 In September 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 September 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 GMCA under the Act which are:

- Option 1: Make a stand-alone appointment as the GMCA
- 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 GMCA Treasurer and counterparts in TfGM, GMPCC, GMP, GMFRS and GM Waste, as well as 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 September 2016 Audit Committee, the GMCA Treasurer and GM local government treasurers have engaged in further discussions and meetings with PSAAL to explore whether the approach being developed could be utilised to meet GMCA 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 GMCA Treasurer and 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 the GMCA.
4 Next Steps

4.1 The GMCA 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 GMCA Treasurer will write to all GMCA Audit Committee members to confirm the final proposed option in advance of a report that will need to be approved by the GMCA in February.

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 GMCA Treasurer to brief Audit Committee in advance of a formal report to GMCA in February.