

## **CORPORATE GOVERNANCE COMMITTEE**

**10 FEBRUARY 2014**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **EXTERNAL AUDITOR – SERVICE DELIVERY CENTRES**

##### **Purpose of the Report**

1. To provide information about the use of overseas Service Delivery Centres (SDC's) by PricewaterhouseCoopers LLP (PwC) when undertaking audit work.

##### **Background**

2. At the meeting of the Corporate Governance Committee held on 25 November 2013, members requested further information on the possible use of Service Delivery Centres outside the United Kingdom by the external auditor PwC in order to understand the ramifications and to consider the ethics of this possible arrangement. The Committee further requested that officers write to the Audit Commission to seek its views on the practice of off-shoring audit work. This information is now set out in the Appendices to this report for members' consideration.
3. A proposal was put to this meeting that the Committee should express its opinion that such work should not be off-shored outside the European Union (EU), but this did not receive the support of a majority of members.

##### **Use of Service Delivery Centres**

4. The Audit Commission appoint the external auditor for Leicestershire County Council and for 2014/15 they have appointed PwC LLP. All firms are required to comply with all statutory and professional requirements when carrying out their role as appointed auditor. The requirements on appointed auditors regarding their access to, and use of information, are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice, which is supported by the Statement of Responsibilities of Auditors and Audited Bodies, and the Commission's Standing Guidance for Auditors.
5. Where a firm wishes to process information overseas, they must in the first instance seek approval from the Audit Commission to do so. Consent is given by the Audit Commission, subject to five specific conditions (see Appendix 1). These conditions are specific to where the auditor is acting as data processor on behalf of the Audit Commission in its role as data controller.

6. The Audit Commission has reviewed the information assurance arrangements of PwC and is satisfied as to its arrangements for the appropriate handling of Audit Commission information, and it has given its consent to PwC to process information overseas, subject to the specific conditions.
7. A copy of the external auditor's report on its use of overseas SDC's is attached as Appendix 2. Matthew Elmer (Senior Manager) from PwC will attend the meeting in order to present their report.
8. PwC has stated that it will take into consideration the views of the Committee before making a decision on whether to use overseas SDC's.
9. The Audit fees for 2013/14 have been agreed and will not change whichever approach is taken.

### **Recommendation**

10. The Committee is asked:

(a) to note the position;

(b) to consider whether it wishes to express any views to PwC in relation to the possible use of overseas Service Delivery Centres.

### **Resource Implications**

None.

### **Equal Opportunities Implications**

None.

### **Circulation Under Local Issues Alert Procedure**

None.

### **Background Papers**

None.

### **Officers to Contact**

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## **Appendices**

Appendix 1 – Audit Commission Guidance

Appendix 2 – PwC report on Service Delivery Centres