



Meeting:	Audit and Governance Committee	Date:	17 January 2022
	Council		27 January 2022
Subject:	Appointment of External Auditors – Opt in to Appoint Public Sector Audit Appointments (PSAA)		
Report Of:	Director of Policy & Resources		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Invitation to opt into national scheme.		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To recommend to opt in for the appointment of the Public Sector Audit Appointments (PSAA) for the appointment of the Council's External Auditor for the period of five financial years from April 2023 and enable the Committee to recommend to Council the preferred appointment process.

2.0 Recommendations

- 2.1 **Audit and Governance Committee** is asked to **RESOLVE** to endorse and **RECOMMEND** to Council the option to opt-in to the Public Sector Audit Appointments Ltd (PSAA) for the appointment of the Council's External Auditors from 2023/24.
- 2.2 **Council** is asked to **RESOLVE** to opt-in to the PSAA for the appointment of the Council's External Auditors from 2023/24.

3.0 Background and Key Issues

Background

- 3.1 Under the Local Audit and Accountability Act 2014, the Council must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.
- 3.2 These regulations cover the audit of the Statement of Accounts and of the Council's value for money arrangements.
- 3.3 The Local Audit (Appointing Person) Regulations 2015 make provision for the Secretary of State to nominate a "Specified Person" to appoint auditors on behalf of Local Authorities and to set scale fees for the cost of External Audits.

- 3.4 Since the inception of these arrangements the role of the “Specific Person” has been taken on by “Public Sector Audit Appointments” (PSAA). PSAA are a not-for-profit, independent company limited by guarantee, incorporated by the Local Government Association in 2014.
- 3.5 On the 1st December 2016 the Council opted in to appoint the PSAA for the appointment of the Council’s External Auditors from 2018/19. The Council has been an opted in authority for the purposes of the PSAA arrangements and participated in the National Scheme. Over 98% of eligible bodies opted into the new arrangements when they were first introduced.
- 3.6 The Council’s current External Auditor is Deloitte LLP, this appointment having been made under a contract let by the PSAA. The appointment of the external auditor for audit of the Council’s accounts for 2023/24 must be made by the end of December 2022.
- 3.9 These arrangements are now coming to end with the final year covered being 2022/23, and the Council must now decide as to how to proceed with future auditor appointments to cover the period from April 1st 2023.

4.0 Recommended Option

- 4.1 An invitation has been received from the PSAA attached at Appendix 1, to again become an opted in authority for the next five-year period. In order to be considered as an opted in Authority for the new arrangements, the Council will have to opt in before the 11th March 2022
- 4.2 The last few years have undoubtedly been difficult for the Local Authority audit market. The combination of increasing requirements on Auditors, resourcing issues and the Covid market have led to a significant increase in numbers of audits which are not signed by the deadline in the regulations. In spite of these challenges, it has been of benefit be part of the existing National Scheme.
- 4.3 There are clear benefits to the Council again joining the national led scheme through the PSAA. The relatively small scale of the audit requirements at this Council are unlikely to generate any savings through a single authority procurement process, rather than joining a sector led scheme which will have considerable economies of scale. There are also advantages in making use of the oversight and expertise which the PSAA would bring to the process.
- 4.4 The LGA have expressed the view that the National Framework scheme remains the best option for Councils, and indeed that the reasons for Council’s to act collaboratively are more compelling then when Councils were last asked to make the choice
- 4.5 It is recommended that the Council again opt-in to the national procurement arrangements for external audit. There are clear benefits of joining a sector-led collaborative scheme. This in terms of the resourcing required for the procurement and management of the contract, as well as the expertise and opportunity that is offered by being part of an independent oversight process

5.0 Social Value Considerations

- 5.1 There are no Social Value considerations arising out of the recommendation made in this report.

6.0 Alternative Options Considered

- 6.1 The remaining two options open to the Council under the Act are not recommended as the preferred option, and are likely to incur significant costs, and not provide the benefits of opting in for audit fees.

6.2 Alternative option 1: To make a stand-alone appointment

- 6.2.1 In order to make a stand-alone appointment the Council will need to set up an auditor panel. The panel membership must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees. This excludes current and former elected Members (or officers) and their close families and friends. This means that elected Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

6.3.1 Alternative option 2: Local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

7.0 Reasons for Recommendation

- 7.1 Opting-in to PSAA's national sector led body potentially provides the best opportunity to limit future fees or costs, in terms of both appointment of auditors and the audit by entering into a large-scale collective procurement arrangement.
- 7.2 The LGA has continuously supported the approach, believing it will offer best value to Councils by reducing set-up costs and having the potential to negotiate lowest possible fees.
- 7.3 It is recommended that the Committee endorses the option for the appointment of External Auditors and recommends to Council to opt-in to the PSAA for the appointment of the Council's External Auditors from 2023/24.

8.0 Financial Implications

- 8.1 It is not possible at that stage to determine the cost of external audit under the new arrangements as the PSAA procurement process is not expected to start until February 2022. The PSAA scale fee is highly likely to be lower than any fee secured through an individual procurement process. When known, the new cost of External Audit will be included in the budget setting process for 2023/24 in the usual way.

- 8.2 Opting-in to PSAA provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

- 9.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31st December in the preceding year.
- 9.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 9.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and this gives the Secretary of State the ability to enable a sector - led body to become the appointing person.
- 9.4 In July 2016 the Secretary of State specified PSAA as the appointing person. As set out in the report, the current arrangements with the PSAA come to an end at the end of this financial year and the Council has received an invitation to join the scheme for the next five years.

(One Legal have been consulted in the preparation this report).

10.0 Risk and Opportunity Management Implications

- 10.1 There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

11.0 Equality Impact Assessment (PIA):

- 11.1 An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

12.0 Other Corporate Implications

Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

Staffing & Trade Union

- 12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

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