

Audit, Standards & Governance Committee

2nd February 2022

DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA AS THE 'APPOINTING PERSON'

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	
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Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	N/A
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance Committee RECOMMEND to Council that it:

- **accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that is to say from 2023/24 to 2027/28).**

2. BACKGROUND

- 2.1 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.
- 2.2 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 2.3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28.
- 2.4 The Council has the option of arranging its own procurement and to make the appointment itself, or it has the option of running a joint

Audit, Standards & Governance Committee

2nd February 2022

procurement in conjunction with other bodies, or the Council can join and take advantage of the national collective scheme administered by PSAA. This report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- a) collective procurement **reduces costs** for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- b) if it does not use the national appointment arrangements, the Council will need to establish its **own administrative arrangements** including an auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- c) it is the best opportunity to **secure audit quality** through the appointment of a qualified, registered auditor (noting that there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement); and
- d) supporting the sector-led body offers the best way of ensuring there is a continuing and **sustainable public audit market** into the medium and long term (noting that the Local Government Association strongly supports the PSAA option).

2.5 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022.

3. FINANCIAL IMPLICATIONS

- 3.1 There is a risk that current external audit fee levels could increase when the current contracts end under all options. It is clear that in recent years the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 3.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
- 3.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement.

Audit, Standards & Governance Committee

2nd February 2022

Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

4. LEGAL IMPLICATIONS

- 4.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 4.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.
- 4.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 4.4 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 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.
- 4.5 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council, hence the purpose of this report.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 No direct impact.

Climate Change Implications

- 5.2 No climate change implications identified.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

Audit, Standards & Governance Committee

2nd February 2022

6.1 No equalities implications noted.

Operational Implications

6.2 The Finance Team and Section 151 Officer have experience of working with auditors appointed under the PSAA arrangements.

7. RISK MANAGEMENT

7.1 The principal risks are that the Council fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or does not achieve value for money in the appointment process.

7.2 These risks are considered best mitigated by opting into the sector-led approach through PSAA.

8. APPENDICES and BACKGROUND PAPERS

8.1 None.

**Audit, Standards &
Governance Committee**

2nd February 2022

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Geoff Denaro	17/1/2022
Lead Director / Head of Service	James Howse, Exec Director	17/1/2022
Financial Services		
Legal Services	Clare Flanagan – Principal Solicitor	18/01/2022
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	