

<b>Committee:</b>	Governance, Audit and Performance Committee	<b>Date:</b>
<b>Title:</b>	Public Sector Auditor Appointment 2023/24 – 2027/28	Monday, 22 November 2021
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## Summary

1. The current appointment of our external auditors will end in March 2023 and this report sets out the options available for the procurement of the new 5 year appointing period 2023/24 to 2027/28.
2. In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19 Public Sector Audit Appointments Limited (PSAA). The Secretary of State has confirmed PSAA as in the role of appointing person for eligible bodies for the period commencing April 2023.
3. The appointment of external auditors must be carried out in accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations).
4. The Council has two options for the procurement of the external auditor appointment;
  - I. To establish an auditor panel and conduct our own procurement exercise
  - II. to become an opted-in authority with Public Sector Audit Appointments Limited (PSAA), being an appointing person for the purposes of the Regulations. Who will carry out the full procurement process on behalf of all opted in eligible authorities.
5. A sector wide procurement conducted by PSAA will produce better outcomes for the Council on both quality and cost than any procurement we undertook ourselves.
6. Use of the PSAA will be less resource intensive and we are unlikely to have capacity or the specialised knowledge of the sector to establish an auditor panel and conduct our own procurement.
7. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council.

## Recommendation

8. It is requested that the Governance, Audit and Performance Committee recommend to Council that it 'opts in' to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

## Financial Implications

9. No direct financial implications from this report. If PSAA is not used additional resource will be needed to establish an auditor panel and conduct our own procurement. Until option for procurement is completed it would not be possible to ascertain additional financial implications for audit fees, although it is anticipated that any increase will be minimised through using PSAA.

## Background Papers

10. The following link provides full details of the appointing person process, this includes the Procurement Strategy, the Scheme Prospectus and feedback from the consultation carried out in June 2021

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/>

Link providing a list of frequently asked questions with PSAA responses

<https://www.psa.co.uk/contact-us/frequently-asked-questions/>

## Impact

- 11.

Communication/Consultation	JET
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

## Situation

12. The current auditor appointment which was for a period of five years comes to an end in March 2023, we are now required to look at the process for a new appointment for the five financial years from April 2023.
13. In line with the regulations, we are required to have an appointment in place no later than 31 December of the financial year preceding the financial year the audit will take

place. This means that the new arrangements must be in place by 31 December 2022.

14. The Local Authority can choose the way it procures its external auditors but this must be in accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). The options are

**Option 1 - To undertake an individual procurement and appointment exercise**

- In line with the regulations, we would be required to form an independent auditor panel
- There would not be the required resource to be able to manage this process
- The auditor panel would require specialised knowledge of the audit sector
- It is unlikely that as an individual body we would be able to negotiate fees or evidence value for money
- Due to issues Audit firms are having with resourcing there is a strong possibility that we would not receive any responses

**Option 2 – ‘Opt in’ to PSAA’s sector led national scheme**

- avoid the necessity to establish an independent auditor panel (detailed requirements specified by the Local Audit & Accountability Act, 2014)
- avoid the need to manage their own auditor procurement
- benefit from PSAA undertaking a robust process to validate fee variation proposals
- be able to support market sustainability and encourage realistic prices in a challenging market
- PSAA operate on a not for profit basis and distribute any surplus funds to scheme members

15. There have been large amounts of published issues regarding Audit delays and the lack of resource available, this is not limited to the public sector but spans all sectors.

16. The PSAA ran a consultation during June 2021 to identify the key issues and look for ways to address these, the consultation included responses from both eligible bodies (LA’s) and Audit firms. The consultation is included in the links in the background papers above.

17. The ‘opt in’ option provides continuous contract compliance monitoring, and standardised setting of scale fees and fee variations.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Successful appointment not achieved to timescales	Low	High	Early consideration of preferred option/approach

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.