



Council

Monday 24 January 2022

Subject: Opting-In to Public Sector Audit Appointments Ltd

Report by:	Assistant Director of Finance and Property Services and Section 151 Officer
Contact Officer:	Paul Loveday Interim Corporate Finance Team Leader
Purpose / Summary:	To seek agreement to opt into Public Sector Audit Appointments Limited's (PSAA) national scheme for external audit appointments from 2023/24, as recommended by the Governance and Audit Committee.

RECOMMENDATION(S):

- 1. That the Council accept the invitation of opting in to the PSAA sector led option for the appointment of external auditors for the period 2023/24 to 2027/28 as recommended by the Governance and Audit Committee.**

IMPLICATIONS

Legal: Under The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015, the Secretary of State has specified PSAA as an appointing person for principal local government and police bodies for audits.

Financial : FIN/152/22A

There are no direct financial implications arising from this report. However, opting in to the process is considered the most cost effective way of procuring experienced External Auditors

However upon the commencement of the current External Audit contract, procured by the PSAA, there was a saving of £10k (23%) on the £43k per annum National Audit Office (District Auditors) costs.

Costs over the past few years have increased in recognition of the additional requirements of Audit Regulations and other assurance requirements since that time taking the 2020/21 fee to £46k.

Staffing : None from this report

Equality and Diversity including Human Rights :

None from this report

Data Protection Implications : None from this report

Climate Related Risks and Opportunities: None from this report

Section 17 Crime and Disorder Considerations: None from this report

Health Implications: None from this report

Title and Location of any Background Papers used in the preparation of this report :

Invitation to opt into the national scheme for auditor appointments from April 2023 from PSAA.

All papers are located in the Financial Services section, Guildhall

Risk Assessment :

Quality of the External Audit is deminished – Mitigation: opt into the PSAA procurement where experienced Local Authority auditors are likely to bid.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Executive Summary

- 1.1 Arrangements with the current external auditors (Mazars) will expire following the conclusion of the audit of the 2022/23 statement of accounts.
- 1.2 The current contract which ran for the audit years 2018/19 to 2022/23 was arranged by Public Sector Audit Appointments (PSAA).
- 1.3 The PSAA is a company incorporate by the Local Government Association and appointed by the Secretary of State for Housing Communities and Local Government in July 2016 to be the appointing person for principal local government and police bodies audits from 2018/19 under the provision of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Persons) Regulations 2015.
- 1.4 The Council has now received an invitation from PSAA for the Council to opt-in to the procurement of external auditors for the financial years 2023/24 to 2027/28 officers.
- 1.5 The Governance and Audit Committee have considered this report and recommended to Council.
- 1.6 In order for the opt-in to occur, a decision of Council is required by the and by the deadline of 12th March 2022.

2 Background

2.1 PSAA is a private company set up by the Local Government Association, following the abolition of the Audit Commission. The PSAA's role is to

- Appoint auditors
- Set fees
- Monitor compliance and quality issues

2.2 If the Council were not to opt-in to this scheme the alternative would be to seek a joint procurement with willing neighbouring authorities, or seek to procure independently, inevitably this would require resources;

- to creating a specification
- to initiating and administering a tender process
- to set a fee structure for the audits
- to ensure ongoing monitoring and management of audit organisations

In addition to the above tasks it would be necessary to engage consultants that had knowledge of the local authority audit market.

2.3 The main advantage of opting in are:

- Transparent and independent auditor appointment via a third party;
- The best opportunity to secure the appointment of a qualified registered auditor;
- The appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the Council believes that it will enhance efficiency;
- On-going management of any independence issues which may arise;
- Access to specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- Collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- Concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

3. Current External Audit Contract and Performance

Since 2018/19 there have been significant delays in the completion of audits. (only 9% of 2020/21 Audits were signed off by the 30th September), contributed to concerns by the Ministry of Housing, Communities and Local Government around the effectiveness of the local audit regime. An independent review has been undertaken, by Sir Tony Redmond, into the arrangements in place to support the transparency and quality of local authority financial reporting and

external audit in England. The Government has recently announced measures to improve local audit delays.

4. Governments Measures to improve local audit delays

On 16 December 2021, DLUHC published a package of measures to support the improved timeliness of local audit. These are:

- 4.1 Measures relating to audit firms and timely completion of audit:** new routes will be developed to allow individuals to act as the Key Audit Partner, CIPFA will develop new training for auditors in local government financial reporting and management, and a new technical advisory service will (subject to consultation in the new year on the approach, business case, and costs) be made available to audit firms.
- 4.2 Measures relating to local bodies and quality of accounts preparation:** the £15m additional funding will continue through the Spending Review period (the announcement does not confirm the allocations, though authorities may wish to conclude that as the total remains the same, the allocations will also be stable); additional guidance will be prepared for audit committees.
- 4.3 Proposed measures relating to accounting and audit requirements:** temporary changes to audit guidance for 2020/21 may be extended to 2021/22 (and perhaps further); CIPFA / LASAAC will undertake further work on whether accounts can be simplified; and the implementation of the Redmond Review Standardised Statement of Service Information will be delayed.
- 4.4 Longer term measures to stabilise the market and address long-term supply issues:** reporting deadlines for audited accounts will be extended to 30 November for 2021/22 accounts and 30 September for 2023/24 to 2027/28 accounts, draft accounts will still be required by 31 May; the existing Code of Audit Practice 2020 will be extended to apply for the whole of the next appointing period; PSAA will continue with the planned procurement having taken steps to support the market; and a workforce strategy will be developed in consultation with the local audit industry.
- 4.5 Next steps:** include publication of the response to the technical consultation carried out in the summer.

5. Recommendation

- 5.1** That the Council accept the invitation of opting in to the PSAA sector led option for the appointment of external auditors for the period 2023/24 to 2027/28, as recommended by the Governance and Audit Committee.