

| | |
|----------------------------|--|
| Report To: | Audit Committee |
| Date: | 31ST JANUARY 2022 |
| Heading: | APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/24 |
| Portfolio Holder: | PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN |
| Ward/s: | ALL |
| Key Decision: | No |
| Subject to Call-In: | NO |

Purpose of Report

This report sets out proposals for appointing the external auditor to the Council/Authority for the accounts for the five-year period from 2023/24.

Recommendation(s)

To recommend to Full Council that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

Reasons for Recommendation(s)

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council.

Alternative Options Considered

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.

These alternatives would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service.

There is also a risk the Council would fail to appoint an auditor, as a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.

Detailed Information

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.

PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

The 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:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - 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
- 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.

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/Authority. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council/Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

Implications

Corporate Plan:

The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Value for Money Assessment of the Council in each financial year, in accordance with

all relevant codes of practice and guidance. This gives an opinion on the stewardship of public money in achieving the Council's Corporate Plan priorities.

Legal:

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangement, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements.

Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

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.

Finance:

There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, whilst ensuring the quality of audit is maintained, by entering a large scale collective procurement arrangement.

| Budget Area | Implication |
|---|--|
| General Fund – Revenue Budget | The external audit fees are provided for in the annual budget and MTFs. The MTFs will be updated for changes in the fees from 23/24, following the national procurement process. |
| General Fund – Capital Programme | Not applicable |
| Housing Revenue Account – Revenue Budget | Not applicable |
| Housing Revenue Account – Capital Programme | Not applicable |

Risk:

| Risk | Mitigation |
|--|--|
| The Council fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation. | Opting into the sector-led approach through PSAA provides the greatest mitigation against this risk. |
| Does not achieve value for money in the appointment process. | Opting into the sector-led approach through PSAA provides the greatest mitigation against this risk. |

Human Resources

None

Environmental/Sustainability

None

Equalities

None

Report Author and Contact Officer

Bev Bull

CHIEF ACCOUNTANT

bev.bull@ashfield.gov.uk

01623 457009

Sponsoring Director

Craig Bonar

DIRECTOR OF RESOURCES AND BUSINESS TRANSFORMATION

craig.bonar@ashfield.gov.uk

01623 457203