

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2022	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Appointment of local auditor	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee recommend to council assembly the invitation to opt into the Public Sector Audit Appointments Ltd (PSAA) sector-led option for the appointment of external auditors for five financial years from 1 April 2023, subject to PSAA assurances that issues relating to the procurement of external auditors include (amongst other matters), as highlighted in paragraph 9, will be resolved in a timely manner.

## BACKGROUND INFORMATION

2. Under the Local Audit and Accountability Act 2014, the council is required to have its accounts audited by an auditor appointed in accordance with the Act. The 2014 Act allows local authorities to either opt in to the appointing regime or to establish an auditor panel (either alone or with other local authorities) and conduct their own procurement exercise.
3. The Public Sector Audit Appointments Ltd (PSAA) is an independent not for profit company limited by guarantee and established in 2014 by the Local Government Association. It is specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015.
4. On the 30 November 2018, the council approved the option of opting into the authorised national scheme for appointment of external auditors through the sector-led, PSAA for the appointment of an external auditor for five financial years starting 1 April 2018. Under these arrangements the council is currently audited by Grant Thornton.
5. In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible bodies to join the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person and carry out the procurement of audit services for opted in local government bodies for the audit of accounts from April 2023.
6. The Local Audit (Appointing Person) Regulations 2015 require these appointments to have been made by 31 December in the year preceding the year of audit. As the current five year contract will end on 31 March 2023, the council needs to have appointed an auditor by 31 December 2022. A decision to become an opted-in authority must be taken in accordance with the Regulations by the members of an authority meeting as a Full Council.

## KEY ISSUES FOR CONSIDERATION

7. Authorities which do not opt in to the appointing person regime will need to carry out a procurement exercise. The main benefit of opting into the PSAA's scheme is that a collective procurement avoids the need to undertake an individual council procurement and secures the appointment of a qualified, registered auditor in a challenging market.
8. PSAA are currently preparing for the second appointing period which will span the five consecutive years, covering the accounts for the financial years 2023-24 to 2027-28. The council needs to consider whether to sign up to the next five years or whether to carry out a procurement process.
9. There have been concerns about the effectiveness of the delivery of external audit by the firms procured through the PSAA contract since its inception. The Society of London Treasurers have taken up these issues collectively with the PSAA. The main concerns are as follow:
  - The PSAA have not managed the contract effectively to ensure that external audit firms meet the statutory deadlines. When evaluating auditor quality a key measure should be the ability to conclude audits in a timely manner. A study by the PSAA found that only 9% of local authority audits were completed before the statutory deadline of 30 September 2021.
  - Lack of capacity of the audit firms to perform field work and carry out internal quality checks causes unnecessary delays.
  - The requirements of the Financial Reporting Council (FRC) are slowing down audit checks, as these are often tailored to private sector firms and are not relevant to local councils, e.g. valuation of local authority assets
  - That there is currently no agreement on the standards of working papers expected which can create additional work for local council officers, and delay completion. Where there are disputes about standards of working papers, there should be an independent dispute resolution process that allows for these to be concluded quickly.
10. Before the council signs up to the second period, 2023-24 to 2027-28, the Strategic Director of Finance and Governance needs assurances from the PSAA that the needs of the local authority client are fully considered and that the issues in paragraph 9, are resolved.
11. It is therefore recommended that the council opt in to the appointing person arrangements to be made by PSAA, subject to assurances that these concerns are addressed through the next procurement process. To become an opted-in authority, the form of acceptance notice has to be completed by 11 March 2022.
12. The audit, governance and standards committee's terms of reference include "To have oversight over the appointment of the external auditor". However, as Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt in must be taken by the council assembly, the audit, governance and standards committee is asked to make the recommendation above to council assembly. The meeting of council assembly on 23 February 2022 is the last ordinary meeting of council assembly before the date by which notification has to be sent to PSAA.

### Community impact statement

13. This report is not considered to have a direct impact on local people and communities.

### Resource implications

14. There are no direct resource implications in this report. It is anticipated that fees in the future will be manageable within existing revenue resources, although this will be kept under review.

### Consultation

15. There has been no public consultation on this report.

### SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. None required.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
PSAA –appointing period 2023-24 – 2027-28	<a href="https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/">https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/</a>	Geraldine Chadwick

### APPENDICES

No.	Title
None	

### AUDIT TRAIL

<b>Lead Officers</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Geraldine Chadwick; Interim Technical accountant	
<b>Version</b>	Final	
<b>Dated</b>	20 January 2022	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	20 January 2022	