

## Appointment of External Auditors

Report of the Finance & Resources Portfolio Holder

### Recommendations:

1. That the Council opts in to the national scheme for external auditor appointments being administered by Public Sector Audit Appointments Ltd.
2. That the Head of Finance and Revenues be authorised to complete all matters necessary to implement a new auditor appointment at the conclusion of the PSAA procurement exercise.

### Recommendation to Council

#### SUMMARY:

- The current contract for external audit services is due to expire at the end of the 2022/23 financial year.
- This report considers options for procuring external audit services commencing from the 2023/24 financial year.

## 1 Introduction

- 1.1 The Council's current contract for external audit services is due to expire at the end of the 2022/23 financial year.
- 1.2 This report considers the options available to the Council to ensure that a new contract is put in place ahead of 1 April 2023.

## 2 Background

- 2.1 The Council's current contract for external audit services was procured through a national exercise undertaken by Public Sector Audit Appointments Ltd (PSAA). PSAA is an authorised Appointing Person for principal local government bodies.
- 2.2 PSAA's role extends beyond that of merely appointing auditors on behalf of local authorities. They also provide an independent review of fee scales (including requests for fee variations during a contract period) as well as oversight of auditor compliance.
- 2.3 PSAA have again invited all local authorities to take part in a national procurement exercise which they will lead.

- 2.4 A decision to sign up to the national procurement exercise will require approval by Full Council ahead of the deadline of 11 March 2022.
- 2.5 The requirements on external auditors have changed over the period since the current contract was let. This follows, in part, some high profile failures of a small number of local authorities and the recommendations of Sir Tony Redmond’s independent review into the oversight of local audit and the transparency of local audit reporting.
- 2.6 These additional requirements affect the risk focus, substantive testing and reporting to those charged with governance by auditors. This is particularly focused on each Council’s going concern status (that is its ability to demonstrate financial stability to continue delivering its services without external intervention).
- 2.7 Given these additional requirements and the scarcity of suitably qualified audit firms with the necessary local government expertise, it is expected that the level of fees charged for audit services will increase in the new contract.

**3 Options**

- 3.1 The Council is required to appoint an external auditor in advance of the 2023/24 financial year.
- 3.2 The options are therefore limited to the procurement process of the auditor and are:
  - Option 1 – Independently procure external services by a stand-alone tendering exercise.
  - Option 2 (Recommended) – Join the PSAA national procurement scheme.

**4 Option Appraisal**

- 4.1 The advantages and disadvantages of the two options are shown in the following table:

Option	Advantages	Disadvantages
Stand-alone appointment	Could achieve an audit more directly suited to TVBC.	Significantly greater resource pressure for procurement process.  Auditors bidding for national contracts at the same time may not wish to be part of a single-lot bid. High risk of not appointing a suitably skilled auditor.  Loss of independence gained through PSAA

		Potential for higher price through lost economy of scale.
Sign up to national scheme	<p>PSAA will lead the procurement process, guaranteeing to appoint an auditor for all bodies.</p> <p>Likely to achieve best prices through economy of scale.</p> <p>Reduced officer and Member resource in procurement.</p> <p>PSAA provide independent assessments in areas such as fee reviews where audit scope changes mid-contract.</p>	

## 5 Risk Management

- 5.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

## 6 Resource Implications

- 6.1 Following recent high profile failures of a small number of Councils across the country, there has been a greater emphasis on the quality of external audit reporting.
- 6.2 It is therefore expected that the overall cost of external audit services will be higher for the new contract period. However, it is not possible to estimate the level of unavoidable budget growth until such time as the procurement process is concluded.
- 6.3 To provide some context, the final audit fee payable in 2019/20 was £78,610. The 2020/21 external audit has not been concluded and so a more recent comparison is not available yet.

## 7 Legal Implications

- 7.1 The report's recommendation is that the Council joins the PSAA national auditor appointment scheme. The Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council.
- 7.2 The process as set out above and the recommendation will ensure compliance with the Local Audit and Accountability Act 2014.

8.1 No equality issues have been identified in the preparation of this report.

**9 Conclusion and reasons for recommendation**

9.1 The Council is required to have in place arrangements for the provision of external audit services.

9.2 The recommended option provides the greatest certainty that the procurement requirements can be achieved within the statutory timescale. It is also considered that the recommended option is more likely to deliver value for money to the Council over the contract period.

Background Papers (Local Government Act 1972 Section 100D)

PSAA prospectus - [Final Prospectus 2023 and beyond – Page 5 – PSAA](#)

Sir Tony Redmond independent review into the oversight of local audit and the transparency of local audit reporting - [Redmond Review.pdf](#)  
([publishing.service.gov.uk](http://publishing.service.gov.uk))

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	0	File Ref:	N/A
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