

BRECKLAND DISTRICT COUNCIL

Report of: Maxine O'Mahony, Chief Executive

To: Governance and Audit Committee, 2 December 2021
Full Council, 20 January 2022

Author: Alison Chubbock, Assistant Director Finance

Subject: Appointment of External Auditors

Purpose: To consider the options for external audit provision for the five year period from 2023-24

Recommendation(s):

Recommend to FULL COUNCIL:

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

1.0 BACKGROUND

- 1.1 The existing external audit provision for Breckland was procured through Public Sector Audit Appointments Ltd (PSAA) for the period 2018-19 to 2022-23. PSAA are a not-for-profit independent company limited by guarantee incorporated into the Local Government Association (LGA) in 2014. The majority of Local Authorities and other relevant bodies chose to opt into the national scheme for this original five year period.

PSAA is now undertaking a procurement for the next appointing period and has invited all eligible bodies to opt into the national process, which is over 450 and helps deliver the economies of scale which could not be achieved through individual or local joint procurements.

The external auditor for the 2023-24 financial year must be appointed before the end of December 2022. If a Local Authority wishes to opt into the PSAA national scheme, this must be completed by 11 March 2022. The new PSAA appointing period is for five years from 2023-24 to 2027-28.

The LGA was heavily involved in influencing the range of options open to Local Authorities, particularly lobbying to ensure that irrespective of size, scale, responsibility or location, Local Authorities can, if they wish, subscribe to the national scheme which takes full responsibility for local auditor appointments.

- 1.2 The Local Audit and Accountability Act 2014 introduced a requirement for Local Authorities to establish an auditor panel to manage their own procurement. Therefore, all Local Authorities will need to decide how their external auditors will be appointed, whether the appointment is made:
 - 1) Through a joint national collective scheme (PSAA), or
 - 2) Directly by the Local Authority individually, or
 - 3) Directly in conjunction with other bodies.

Attached at appendix A is the invitation from PSAA which also details the benefits of the national appointing person scheme.

- 1.3 High quality independent audit is one of the cornerstones of public accountability, it gives assurance that taxpayers' money has been well managed and properly expended. It helps inspire trust and confidence in the organisations and people responsible for managing public money

2.0 **OPTIONS**

- 2.1 That the Council agrees to opt into the national scheme for auditor appointments from April 2023. (Recommended option)
- 2.2 That the Council establishes an auditor panel and manages its own procurement exercise. This option is not recommended, as being an individual authority, we would be unlikely to benefit from economies of scale, or achieve a competitive price and potentially would not receive any bids for work.
- 2.3 That the Council appoints auditors in conjunction with other Local Authorities. This option is not recommended. In Norfolk the likely position is that local authorities will be recommending the PSAA route and we therefore would not benefit from economies of scale in this area even if we were able to form a procurement group locally. This option would also incur additional procurement costs for the authorities involved.
- 2.4 Do nothing. This is not recommended as it would contravene the Local Audit and Accountability Act.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 The PSAA option offers independence of the auditor appointment and to the procurement and appointment process used, giving taxpayers that independence assurance.
- 3.2 The PSAA procurement is the best opportunity to secure the appointment of a qualified, registered auditor. There are only nine accredited local audit firms and any local procurements (individually or jointly) would be drawing on the same limited supply of auditor resources as the PSAA procurement. Supporting the sector led body is the best way of ensuring there is a continuing and sustainable public audit market into the longer term.
- 3.3 The PSAA option offers a collective procurement which aims to reduce the costs for the sector and for individual Local Authorities compared to smaller local procurements.
- 3.4 If the Council chose not to join the PSAA option, we will need to establish our own auditor panel with an independent chair and independent members to oversee the local auditor procurement and ongoing management of the audit contract. This would incur additional pressure on resources for a small district council.

4.0 **EXPECTED BENEFITS**

- 4.1 Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility and in a way that commands public confidence and the PSAA appointment will ensure this independence.
- 4.2 The objectives of the PSAA procurement are to maximise value for Local Authorities and their procurement strategy aims to secure the delivery of an audit service of the required

quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

5.1 **Constitution & Legal**

5.1.1 The Local Audit and Accountability Act 2014 requires us to establish an auditor panel to manage our own procurement, the PSAA option would achieve this.

5.2 **Contracts**

5.2.1 The recommended PSAA option provides a compliant procurement route ensuring that the contract is compliant and good value for money.

5.3 **Financial**

5.3.1 The costs of external audit are likely to increase given the difficulties faced over recent years by the audit firms. The national PSAA procurement offers the preferred option to achieve the best value for money from a new contract.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

7.0 **ACRONYMS**

7.1 LGA – Local government Association

7.2 PSAA - Public Sector Audit Appointments

Background papers:-

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Invitation from PSAA