



Subject **Appointment of External Auditors**

Report to **Audit and Risk Committee 6 December 2021**

Council – 22 February 2022

Report by: **Finance Director**

SUBJECT MATTER/RECOMMENDATIONS

This report sets out the proposal for the appointment of the Council’s external auditor for the five-year period from 2023/24.

Note – This report was previously reported to the Audit and Risk Committee on 6 December when the committee agreed to make the recommendation to Council.

Recommendations:

1) It is recommended that Council agree that Great Yarmouth Borough Council accepts the Public Sector Audit Appointments’ invitation to opt into the sector led option for the appointment of external auditors for the five years from 1 April 2023.

1. INTRODUCTION AND BACKGROUND

- 1.1. In accordance with the Local Government Audit and Accountability Act 2014, the Council is required to appoint an External Auditor. The existing external audit provider (EY) was procured via the Public Sector Audit Appointments Ltd (PSAA) for the period 2018/19 to 2022/23.
- 1.2. PSAA is a company limited by guarantee and was incorporated by the Local Government Association in 2014. In 2016 the PSAA was specified by the Secretary of State for Housing Communities and Local Government as the appointing person for principal local government and police bodies for audits from 2018/19.
- 1.3. PSAA is now undertaking a procurement for the next period of appointment of external auditors and all eligible bodies have been invited to opt into their national scheme for external audit appointments from 2023/24 onwards. The Council’s invitation to opt into the national scheme is included at Appendix A to the report.

2. OPTIONS

- 2.1. There are three options available for the appointment of an external auditor for the five-year period from 2022/23:
 - 2.1.1. Undertake an individual auditor procurement and appointment exercise;

- 2.1.2.Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
 - 2.1.3.Join PSAA's sector led national scheme
- 2.2. A decision to join the PSSA sector led scheme must be made by Council.
- 2.3. Options 1 and 2 above would require the establishment of an independent auditor panel to make the appointment, this would be after a local procurement process. The independent panel would consist wholly or majority of independent members excluding current and former members (or officers). In addition, the panel would be responsible for overseeing the management of the contract for its duration.
- 2.4. Opting into the national scheme would provide the independence required for the procurement and appointment process. By undertaking a collective procurement this will reduce the costs for the sector and the bodies that are part of the procurement.
- 2.5. The PSAA option will also deliver the requirement to establish an auditor panel.
- 2.6. It is therefore recommended that the Council opt into the national scheme for the auditor appointment process from 2023/24 onwards.

3. FINANCIAL AND RISK IMPLICATIONS

- 3.1. The costs of External Audit have increased over a number of years. Procurement on behalf of a number of bodies that opt into the national scheme will provide opportunities to achieve value for money.
- 3.2. Opting out of the national scheme would require additional resources to be allocated to the procurement of external auditors and also the ongoing management of the external audit contract.
- 3.3. The current arrangements for the setting of the annual audit fee requires the PSAA for set a scale fee annually for the audit. The external auditors can then submit a fee variation proposal to the PSAA for review which is then added to the scale fee to arrive at the total fee for the audit. The fees for the latest completed audit of the Council's accounts for 2018/19 was a scale fee of £46,966 and a fee variation of £38,689. The current scale fee for 2019/20 is £46,966. The current fee arrangement also allows for annual surpluses to be returned to Local Authorities.
- 3.4. There is a risk of not having an appointed external auditor for the 2022/23 financial year, this is mitigated by opting into the national scheme.

4. LEGAL IMPLICATIONS

- 4.1. The Local Audit and Accountability Act 2014 requires the Council to appoint an External Audit.

5. CONCLUSION

- 5.1. Opting into the national sector led appointment of external auditors provides the greatest opportunity to achieve value for money from the procurement process and will also provide the ongoing contract management of the external auditor contracts from 2023/24 onwards.

6. BACKGROUND PAPERS

- 6.1. Invitation from the PSAA and PSAA guidance and information on Appointing Persons.
- 6.2. <https://www.psaa.co.uk/about-us/appointing-person-information/>

Area for consideration	Comment
Monitoring Officer Consultation	
Section 151 Officer Consultation	
Existing Council Policies See background papers	
Financial Implications eg within existing budgets or funding identified	
Legal Implications (including human rights)	
Risk Implications	
Equality Issues/EQIA assessment (if EQIA not required explain why)	
Details contained in strategy	
Crime & Disorder	
Every Child Matters	