

Subject Appointment of External Auditors
Report to Audit and Risk Committee 6 December 2021
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.

Recommendations:

1) It is recommended that the Audit and Risk Committee recommend to Council 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 PSAA 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 | |

22 September 2021

To: Ms Oxtoby, Chief Executive
Great Yarmouth Borough Council

Copied to: Ms Sly, S151 Officer
Councillor Flaxman-Taylor, Chair of Audit Committee or equivalent

Dear Ms Oxtoby,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive 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 audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).