

**EXTERNAL AUDITOR APPOINTMENT****REPORT OF THE TREASURER****For Recommendation****1. PURPOSE OF REPORT**

- 1.1 To update Members on issues in relation to appointing an external auditor in respect of the application of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that Members of the Audit and Governance Committee support the Authority's continued membership of Public Sector Auditor Appointments (PSAA) for the provision of external audit services.
- 2.2 It is recommended that a report be presented to Full Authority requesting the Authority's continued membership of PSAA in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

**3. BACKGROUND**

- 3.1 In January 2014, the Local Audit and Accountability Act received Royal Assent. Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014. PSAA is a company limited by guarantee and is a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the LGA.
- 3.2 In July 2016, the Secretary of State for Housing Communities and Local Government 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.
- 3.3 Acting in accordance with the role of appointing person PSAA is responsible for appointing an auditor and setting scales of fees for the duration of an appointing period for eligible bodies that choose to opt into its national scheme. The Regulations require the appointing person to set the duration of each appointing period; the maximum duration is five years. The first appointing period spans the five consecutive financial years commencing 1 April 2018. It covers the audits of accounts for the financial years 2018/19 to 2022/23. The second appointing period is likely to span the five consecutive financial years commencing 1 April 2023. It will cover the audits of accounts for the financial years 2023/24 to 2027/28.

- 3.4 It was agreed to update the Audit and Governance Committee on the arrangements in place to ensure that the Authority complies with the requirements of the Act. This report provides an update to members in relation to the arrangements for appointing external auditors. At its meeting on 26<sup>th</sup> August 2016, the Audit and Governance Committee recommended that the Fire Authority supports the decision to become an “opted in” Authority giving a firm commitment to PSAA, in order to benefit from collective buying power and the removal of the requirement to set up a separate Auditor Appointing Panel, when securing future external audit services.

#### **4. APPOINTMENT OF EXTERNAL AUDITORS**

- 4.1 There are currently a number of issues surrounding the provision of external audit services:

- The audit industry is under heavy scrutiny;
- There is great regulatory pressure to improve audit quality;
- Audit resources are stretched;
- Delayed local audit opinions are an unresolved national concern;
- Local government audit’s focus is being questioned;
- Additional work means additional fees are needed;
- Regulations need updating.

- 4.2 The aim of PSAA is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services

The benefits of the current arrangement of central purchasing have resulted in reduced fees with the Authority not having to set up a separate Auditor Appointment Panel to deal with any future appointment. PSAA are also looking to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.

- 4.3 Correspondence received from the PSAA have outlined the following proposed timetable for opting in to procurement arrangements:

September 2021	Eligible bodies will be invited to join PSAA's national scheme ( <i>will require a decision by Full Authority</i> )
January 2022	Deadline for eligible bodies to notify PSAA of their decision to opt in
February 2022	Procurement will commence
June 2022	PSAA Board will award new contracts where possible and determine if there is a need to extend current ones to enable PSAA to meet its statutory duty to appoint to all opted-in bodies
December 2022	PSAA Board will confirm auditor appointments for 2023/24

#### 4.4 Opting in to the PSAA procurement scheme will:

- ensure the Authority has arrangements in place to procure the best possible external audit service at the most competitive price by benefiting from collective buying power whilst removing the requirement to set up a separate Auditor Appointing Panel;
- Remove the risk that the Authority is unable to appoint its own external auditors, which is a risk given the relatively small size of the Authority and limited capacity with the external audit market.

**CHRIS LITTLE**  
**TREASURER TO THE AUTHORITY**