

PUBLIC SECTOR AUDIT APPOINTMENTS

Reporting Officer: Corporate Director of Finance

SUMMARY

1. The Council currently utilises Public Sector Audit Appointments (PSAA) for the procurement of external audit services. The Secretary of State has now confirmed the role of the PSAA as the appointing person for eligible principal bodies for the period commencing April 2023.
2. The Council has officially been invited to join a national scheme and to satisfy the scheme's regulatory requirements, the decision to accept the invitation and to opt-in must be made by Full Council and submitted no later than 11 March 2022.

RECOMMENDATION: That the Council opt into the Public Sector Audit Appointments national scheme for the provision of external audit services.

SUPPORTING INFORMATION

3. All local government bodies need to make important decisions about their external audit arrangements for the period commencing from the financial year 2023/24. In relation to appointing auditors, local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by Public Sector Audit Appointments (PSAA).
4. The PSAA issued a draft prospectus in mid-2021 which provided an introduction to the PSAA national scheme and invited views and comments from local bodies and other interested parties in relation to the aims of the scheme and how it needs to develop going forward. This process helped the PSAA to shape some of the important features of the scheme ahead of issuing formal invitations to opt-in to all eligible bodies.
5. Given the very challenging local audit market, the Council believe that eligible bodies will be best served by opting to join the national scheme. Benefits include:
 - 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;
 - 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.
6. During the past three years the PSAA has taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:
- proactively and constructively engaging with the numerous high-profile industry reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
 - commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. PSAA published the report to inform debate and support ongoing work to strengthen the system and help to deliver long-term sustainability;
 - working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
 - the establishment of a Local Audit Quality Forum, which is free of charge to opted-in bodies and has to date held five well attended events on relevant topics;
 - PSAA attendance at meetings of the various Treasurers' Societies and S151 officers to share updates on their work, discuss audit-related developments, and listen to feedback;
 - maintaining contact with those registered audit firms that are not currently contracted with the PSAA, to build relationships and understand their thinking on working within the local audit market;
 - undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since establishment in April 2015; and
 - sharing PSAA experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.
7. With the benefits outlined, officers request approval to opt into the PSAA national scheme. The PSAA procurement exercise will then commence, and their timeline shows that it intends to award contracts and confirm 2023/24 auditor appointments in December 2022.

Audit Committee

8. In the meeting held on 29 July 2021, the Audit Committee was appraised of the PSAA progress and noted the rationale, timeline, and intention to opt-into the national scheme. The Audit Committee were advised that formal approval would be sought by Full Council.

FINANCIAL IMPLICATIONS

9. The Council does not make any direct payments to the PSAA for joining the national scheme. Contributions are made to the PSAA by participating audit firms.

LEGAL IMPLICATIONS

10. The PSAA are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014. Appointment of external auditor is required under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

Background papers: None