

# AUDIT COMMITTEE

## Re Tendering of External Audit Services 24 November 2021

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

The purpose of this report is to inform the Committee of an invitation from Public Sector Audit Appointments (PSAA) Ltd to join the national scheme for the procurement of external audit services with effect from the financial year 2023/24.

**This report is public.**

#### RECOMMENDATION

##### The Audit Committee is recommended

- to note the requirement for the Council to appoint an External Auditor for the audit of the Statement of Accounts for 2023/24 to 2027/28, no later than December 2022;
- to note the requirement to notify PSAA Ltd of the Council's decision as to whether to opt-in to the national procurement process no later than 11th March 2022;
- to request that a further report on this matter is presented to this Committee in January 2022 (TBC) with a view to making a recommendation to Council in 23rd February 2022.

#### 1.0 BACKGROUND

1.1 The Local Audit and Accountability Act 2014 (the Act) abolished the Audit Commission and repealed the Audit Commission Act 1998. Its aim, as stated in MHCLG guidance, is to give local bodies the freedom to appoint their own External Auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence.

1.2 The Act provides for the creation of a locally led audit regime providing local authorities with greater flexibility over the procurement of their external audit service. In essence, Councils can:-

- undertake their own procurement and appointment of an External Auditor – this would require the Council to establish an Audit Panel comprising Elected and Independent Members who would be consulted on the selection and appointment of an Auditor.
- work collaboratively with other local authorities on a procurement exercise for an External Auditor – this is the same as set out above but with the

procurement exercise undertaken by a group of local authorities who may use a shared Audit Panel.

- opt in to a Sector-led procurement – this is a national procurement exercise whereby a designated body undertakes the procurement and appointment of an External Auditor on behalf of those Councils that choose to opt-in to this process.

1.3 In response, the Local Government Association (LGA) established PSAA as a not-for-profit company to act as an Appointing Body for principal Local Government and police bodies to undertake the procurement, appointment and setting of the scale of fees payable for those bodies that opt into the national scheme. Further information on PSAA and the role they perform in auditor appointments is available on their website. <https://www.psaa.co.uk/about-us/appointing-person-information/>

## **2.0 CURRENT POSITION**

2.1 The Council currently opts into the national arrangement to secure External Audit services with the current contract due to expire in 2022/23 following the conclusion of the audit of the Council's Statement of Accounts and arrangements for Value for Money.

2.2 The LGA has advised that this arrangement is now due for re-tender and PSAA is currently undertaking a procurement exercise for the next appointing period, covering audits for 2023/24 to 2027/28. The deadline for responding to the invitation is 11th March 2022 and, in accordance with the Act, the decision to opt-in must be taken by the Full Council.

2.3 Should the Council chose to opt out of the current arrangement it must have appointed an External Auditor for the audit of the Council's Statement of Accounts for 2023/24 onwards before the end of December 2022.

2.4 The LGA wrote to all Councils in September setting out its support for the PSAA process along with information for Those Charged with Governance and a series of frequently asked questions. Details of this correspondence is provided at **Appendix A**

## **3.0 PROPOSAL**

3.1 It is proposed that this matter is considered in more detail by the Audit Committee in January 2022 (TBC) with a view to making a recommendation to Council on 22<sup>nd</sup> February. Given the volatility in the audit environment as a result of a number of factors including, changes in the Code of Audit Practice, concerns over the resilience of local authorities and the broader implications of the Redmond Review and the Government's response to that – all of which have, in some way, led to rising audit fees – a number of Lancashire and North West Councils are considering the merits of the alternative procurement routes set out above as a way of having a greater degree of control over what they pay for External Audit.

3.2 Between now and then, there will be an opportunity to see whether there is any appetite amongst other Lancashire and North West Councils to consider alternatives to the PSAA proposal and what the advantages and disadvantages of these alternatives might be. This would form the basis of the report to the Committee at a yet to be arranged meeting in January 2022.

#### 4.0 OPTIONS AND OPTIONS ANALYSIS

4.1 The options facing the Committee are to either to refresh the current arrangements and opt into the national arrangement and the proposed re-tendering at this stage, or to allow the Chief Finance Officer to engage with other Lancashire and North West Councils and report back to this Committee alternatives to the PSAA proposals.

#### 5.0 DETAILS OF CONSULTATION

5.1 The options presented in this report have been discussed with the Chief Executive and Portfolio holder for Finance and Resources

#### 6.0 CONCLUSION

6.1 The appointment of External Auditors is necessary to comply with the Council's statutory duty to appoint such Auditors under s7 of the Local Audit and Accountability Act 2014.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):**

No implications directly arising.

#### **LEGAL IMPLICATIONS**

There are no legal implication flowing directly from this report.

#### **FINANCIAL IMPLICATIONS**

There are no financial implication flowing directly from this report.

#### **OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

No implications directly arising.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has authored this report in his capacity as Chief Finance Officer

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

#### **BACKGROUND PAPERS**

Audit Committee 25<sup>th</sup> November 2020

<https://committeeadmin.lancaster.gov.uk/ielistDocuments.aspx?CId=316&MId=7581&Version=4>

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**Email:** pthompson@lancaster.gov.uk

**Ref:**