

REPORT TO CABINET

Open		Would any decisions proposed :			
Any especially affected Wards None	Mandatory	Be entirely within Cabinet's powers to decide		NO	
		Need to be recommendations to Council		YES	
		Is it a Key Decision		YES	
Lead Member: Cllr Joshua Lowe E-mail: cllr.joshua.lowe@west-norfolk.gov.uk		Other Cabinet Members consulted: Cllr Angie Dickinson, Portfolio Holder Finance			
		Other Members consulted: Audit Committee			
Lead Officer: Michelle Drewery E-mail: michelle.drewery@west-norfolk.gov.uk Direct Dial:		Other Officers consulted: Management Team			
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES	Environmental Considerations NO

Date of meeting: 11 January 2022

APPOINTMENT OF EXTERNAL AUDITORS

Summary

To consider a proposal for the arrangements to appoint external auditors for the accounts for the five year period from 2023/2024.

Recommendation

To recommend to full council that the council should notify PSAA of the intention to "opt in" to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. Public Sector Audit Appointments Limited (PSAA) is specified as the 'appointing person' for principal local government under the provisions of the Local Government Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

Reason for Decision

To comply with the requirements of the Local Government Audit and Accountability Act 2014.

1 Background

- 1.1 Public Sector Auditor Appointments Ltd (PSAA) is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015 to

manage the appointment of external auditors and the setting of audit fees for local government.

- 1.2 PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/2019 to 2022/2023. EY were appointed as the Council's auditors through this process. The final year of audit under the current arrangement is 2022/2023. The Council will need to have a new auditor in place for the year 2023/2024.
- 1.3 Not all accounting firms are eligible to compete for the work. They will need to demonstrate that they have the required skills and experience and be registered with the Institute of Chartered Accounts for England and Wales (ICAEW) who are the Registered Supervising Body approved by the Financial Reporting Council. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation which limits the scope of a procurement exercise to be undertaken locally.
- 1.4 It should be noted that the scope of this procurement will only cover the audit of the Councils accounts. Arrangements for the certification of housing benefit grants are undertaken separately by arrangement with the Department for Work and Pensions (DWP).

2 Options Considered

- 2.1 There are a number of options for the appointment of an external auditor, each with varying risks and opportunities:
 1. To make a stand-alone appointment which requires the council to follow the procedure set out in the Local Government Audit and Accountability Act 2014
 2. To act jointly with other authorities to procure an auditor (following the required procedures as set out in the Act)
 3. To opt-in to the national auditor appointment scheme administered by PSAA (a body designated by the Secretary of State as the 'appointing person')
- 2.2 Audit Committee considered these options and recommend to 'opt-in' to the scheme led by PSAA. The report considered by the Audit Committee is provided in the Background papers section of this report.
- 2.3 On 22nd July 2016 PSAA was specified by the Government to become the SLB authorised to make future audit appointments on behalf of principal local authorities.
- 2.4 As the designated body authorised to make audit appointments on behalf of principal local authorities, PSAA will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to

procurement of external audit on behalf of the whole sector. 98% of local authorities opted into the current arrangement. Recent discussions with the other Finance Officers in Norfolk have indicated that this is their preferred option in the upcoming arrangements.

- 2.5 The deadline to notify PSAA of our intention to 'opt in' to the national scheme is 11 March 2022.

3 Policy Implications

- 3.1 The appointment of the external auditor must remain independent to comply with legislation.

4 Financial Implications

- 4.1 PSAA is a not for profit scheme so any surplus from arrangements are distributed amongst authorities within the scheme.
- 4.2 The current scheme had set out to achieve savings for local authorities which were determined by the fees that were set at the start of the contract. Since then, there have been a number of emerging issues around audit nationally and the impact on local authority audits has resulted in delays and additional costs being incurred. This was further complicated by the outbreak of the pandemic which has required further testing of the council's accounts.
- 4.3 The option chosen will affect the costs incurred through the selection process and potentially the level of fees charged by the external audit. It is anticipated that by opting-in to the national process again that economies of scale can be achieved through a collective procurement process which reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
- 4.4 If the council chooses not to use the national appointment arrangements, it will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.
- 4.5 Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

5 Personnel Implications

- 5.1 There are no personnel implications.

6 Environmental Considerations

- 6.1 Audits are usually undertaken physically on council premises. Since the outbreak of the pandemic, these have been undertaken virtually

which has resulted positively in reduced carbon emissions from less travel and reduced printing. It is not known what changes will be permanent going forward although it is anticipated that some form of hybrid working is likely to continue.

7 Statutory Considerations

7.1 As per the Local Audit and Accountability Act 2014:

- Sec 7 – a local authority must appoint an auditor no later than December of the preceding year
- Sec 8 – sets out the governance around the procedure to appoint and specifies that the Full Council must appoint
- Sec 12 – where a local authority fails to appoint an auditor, the Secretary of State will appoint one
- Sec 17 - gives the Secretary of State the ability to enable a Sector Led Body (SLB) to become the appointing person.

8 Procurement and State Aid advice may be required.

8.1 Not applicable if opting into national scheme.

9 Equality Impact Assessment (EIA)

9.1 There are no equality implications as per the attached EIA.

10 Risk Management Implications

10.1 The background report sets out a number of risks being faced nationally in the audit sector impacting on timing and delivery of audit opinions as well as the risks around each of the options considered. By opting into a national scheme, the council will support continuation for a better, sustainable audit market going forward.

10.2 There is no immediate risk to the Council. However, early consideration by the Council of its preferred approach will enable continued detailed planning to ensure transition to the preferred arrangement in a timely and efficient manner.

11 Declarations of Interest / Dispensations Granted

11.1 None required.

12 Background Papers

[Local Audit and Accountability Act 2014 \(legislation.gov.uk\)](#)

Audit Committee Papers:

[Audit Committee - External Auditor Appointment.pdf \(west-norfolk.gov.uk\)](#)

[AP2 form of acceptance \(west-norfolk.gov.uk\)](#)

[doc04033120211025102537.pdf \(west-norfolk.gov.uk\)](#)

Pre-Screening Equality Impact Assessment

Borough Council of
King's Lynn & West Norfolk



Name of policy/service/function	Arrangement for Appointment of External Auditor				
Is this a new or existing policy/service/function?	Existing				
<p>Brief summary/description of the main aims of the policy/service/function being screened.</p> <p>Please state if this policy/service is rigidly constrained by statutory obligations</p>	<p>To comply with the Local Audit and Accountability Act 2014, arrangements have to be made for the appointment of external auditors for the five year period from 2023/24 and expiry of the current external audit contract arrangement with PSAA</p>				
Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			X	
	Disability			X	
	Gender			X	
	Gender Re-assignment			X	
	Marriage/civil partnership			X	
	Pregnancy & maternity			X	
	Race			X	
	Religion or belief			X	
	Sexual orientation			X	
	Other (eg low income)			X	

