

REPORT TO: **AUDIT & STANDARDS COMMITTEE**

DATE: **24 NOVEMBER 2021**

TITLE: **AUDITORS APPOINTMENT**

LEAD OFFICER: **SIMON FREEMAN, DEPUTY CHIEF
EXECUTIVE AND DIRECTOR OF FINANCE
(01279) 446228**

RECOMMENDED that:

- A** The Audit & Standards Committee recommends to Council that Harlow Council participates in the national procurement process led by Public Sector Audit Appointments Limited (PSAA) for the appointment of its external auditors.
- B** Subject to the agreement of recommendation A, the Audit and Standards Committee recommends to Council that delegated authority be granted to the Director of Finance, as the Council's statutory officer under Section 151 of the Local Government Act 1972 to formally give notice of the Council's intention to opt in to the PSAA procurement exercise.

BACKGROUND

1. In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.
2. As a result, new legislation was developed and the Local Audit and Accountability Act 2014 received royal assent on 30 January 2014. The Act enabled the Government to close the Audit Commission on 31 March 2015.
3. Responsibility for management of the existing appointments was transferred to Public Sector Audit Appointments Limited (PSAA) under transitional arrangements. PSAA is an independent company established by the Local Government Association (LGA) for this purpose.

ISSUES/PROPOSALS

4. The current arrangements for the delivery of the Council's external independent audit work will end once the audits for the 2022/23 financial year are complete. However, under section 7 of the Act arrangements for the appointment of the new audit contract for the 2023/24 financial year must be in place no later than December 2022. The current contract, let through the PSAA procurement exercise is operated by BDO LLP.

5. Under the Local Audit and Accountability Act 2014, the Council has a number of choices for the appointment of its auditors going forward:
 - a) Undertake our own auditor procurement and appointment exercise.
 - b) Undertake a joint procurement and appointment exercise with other authorities.
 - c) Join the PSAA sector led national scheme.

6. To enable a direct or joint procurement to be undertaken it would first be necessary for the Council to establish an independent Auditor Panel. The functions of the auditor panel are set out in Local Audit and Accountability Act 2014 and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations) Essentially the regulations set out the responsibilities of the panel as being to advise the authority on:
 - a) The selection and appointment of the auditor
 - b) Whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy.
 - c) Any proposal by the authority to enter into a liability limitation agreement (see chapter 7 for more information on this)
 - d) Maintaining an independent relationship with its auditor
 - e) The outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

If the council was successful in achieving viable panel appointments the panel itself would then take responsibility for the full procurement and appointment process for the new audit appointments effective from the 2023/24 financial year.

7. Opting to undertake independent procurement and appointment either solely or jointly is likely to be very difficult to achieve and will take significant time and resources to progress. Indications are that for the very small number of authorities that have sought to undertake their own procurement responses from the sector have been very poor or simply there have been no interested parties willing to tender. The audit firms that are able to tender in any procurement process are required to be included on the Local Auditor Register along with their key partners who have met the eligibility criteria. However, the approved auditors are essentially the seven large firms that will be focussed on the PSSA tender process and it is extremely unlikely that they will consider any specific tender process run independently by individual or joint local authorities.

8. Given the timescales and the difficulties of opting to procure as an independent authority the option to choose to join the sector led procurement

through the PSAA is likely to be the most cost effective and efficient route for the Council to adopt as it did in 2017.

9. PSAA formally contacted all authorities on 22 September 2021 setting out their prospectus for the national scheme. The letter and the Prospectus are attached to this report as Appendix A and B respectively. The letter invited authorities to opt in to the PSAA lead national procurement in accordance with the Local Audit (Appointing Person) Regulations 2015 (the Regulations). To opt in to the process the council must formally notify PSAA no later than 11 March 2022 that it wishes to do so by way of completion of a form of notice of acceptance included as Appendix C to this report for information.
10. The decision to opt in to the sector led body procurement can only be made under the Regulations as a result of the decision being taken by “the members of an authority meeting as a whole” or effectively a meeting of Council.
11. The Audit and Standards Committee is therefore asked to consider the content of this report and appendices and to recommend to Council that the PSAA route is accepted. This will enable the Council to formally opt in to the procurement run by the sector led body for the purposes of appointing its external auditors from 2023/24.
12. The Council will not incur a fee for the procurement exercise through PSAA however there will be costs associated with the running of the contracts once appointed that will be recovered by PSAA through the Audit Scale Fees charged to councils participating in the scheme.
13. PSAA have prepared an information leaflet and a Frequently Asked Questions document for prospective councils wishing to opt in both of which are attached to this report for information.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance (Includes ICT and Property and Facilities)

The Council must put in place adequate arrangements to secure the appointment of its external audit service. The recommendations and content of this report set out proposals to ensure that these requirements are met.

Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance

Housing

None specific

Author: Andrew Murray, Director of Housing

Community Wellbeing (includes Equalities and Social Inclusion)

None specific

Author: Jane Greer, Director of Communities and Environment.

Governance (includes HR)

The Local Audit and Accountability Act 2014 sets out the arrangements for the audit of local authorities. This report sets out the recommended option for securing the services of an external audit provider from 2023/24 onwards.

Author: Simon Hill, Director of Governance and Corporate Support

Appendices

Appendix A – Harlow District Council Invitation

Appendix B – PSAA Prospectus

Appendix C – Harlow District Council Notice of Acceptance

Background Papers

Developing the option of a national scheme for local auditor appointments Public Sector Audit Appointments – A Prospectus August 2016

Appointing Persons FAQ's – PSAA October 2016

Glossary of terms/abbreviations used

DCLG - Department for Communities and Local Government

LGA – Local Government Authority

PSAA – Public Sector Audit Appointments Limited