

Report to Audit and Risk Assurance Committee

11 January 2022

Subject:	Appointment of the External Auditor
Director:	Simone Hines Director of Finance and Section 151 Officer
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

- 1.1 That the Council be recommended to take up the invitation from Public Sector Audit Appointments to opt into the national scheme for auditor appointments from April 2023.

2 Reasons for Recommendation

- 2.1 To consider the options available and recommend that the Council takes up the invitation from Public Sector Audit Appointments (PSAA) to opt into the national scheme for auditor appointments from April 2023.

3 How does this deliver objectives of the Corporate Plan?

- 3.1** The external auditors are responsible for the independent audit of the Council's statutory accounts and arrangements for achieving value for money.

4 Context and Key Issues

- 4.1** The arrangement with our current external auditors Grant Thornton expires in 2022-2023, and a new external auditor has to be appointed before the end of December 2022.
- 4.2** The Secretary of State has confirmed PSAA in the role of appointing person for eligible principal bodies for the period commencing April 2023.
- 4.3** In September 2021 the Council received an invitation from PSAA to opt into the national scheme for auditor appointments from April 2023.
- 4.5** The Council previously opted into the national scheme for the appointment of its current external auditors, along with 98% of the sector. The alternative would be for the Council to procure its own external auditor.

5 Alternative Options

- 5.1** As indicated above, if the Council does not opt into the national scheme, it would need to procure its own external auditor. However, to do this would be a lengthy and complex process and would see the Council going against the vast majority of the sector.
- 5.2** The letter from PSAA appended to this report sets out a number of reasons why accepting the national scheme to opt-in is seen as the best solution. Examples given in the letter include:
- PSAA are a not-for-profit independent company limited by guarantee incorporated by the Local Government Association offering a value for money offer based on minimising PSAA costs and the distribution of any surpluses to scheme members (which they have done in the past).

- Collective efficiency savings for the sector through undertaking one major procurement as opposed to 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 elsewhere.
- 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.

5.3 Under Regulation 19 of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) a decision to become an opted-in authority must be taken by the members of an authority meeting as a whole (i.e. Full Council or equivalent).

5.4 Therefore, the Audit and Risk Assurance Committee is asked to recommend to Council at its next meeting that the Council opts into the national scheme.

5.5 The closing date to give notice to PSAA of the Council's acceptance of their invitation is Friday 11 March 2022.

5.6 PSAA expect to formally commence the procurement of audit services in February 2022 and at that time their procurement documentation will be available for opted-in bodies to view. Also, they plan to run a series of webinars covering specific areas of their work.

6 Implications

Resources:	<p>The recent Redmond Review identified that the fee structures and variation process surrounding the audit contracts administered by PSAA was insufficiently flexible and that local audit fees had reduced by 40% when compared against a 20% rise in central government and FTSE100 audit fees. This had led to difficulties in supporting the sustainability of the local audit market.</p> <p>The review recommended that the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full</p>
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	<p>extent of local audit requirements. As part of recent consultation, the Government has committed to amend the Local Audit (Appointing Person) Regulations 2015 to provide PSAA with more flexibility to agree both standardised and local fee variations that more closely match the actual costs of audit.</p> <p>The current budget set aside for the Council's audit fees, excluding provision for grant audit work, is £144,000. A further increase in external audit fees is anticipated going forward, though the government announced following the Redmond Review that additional funding would be made available to offset the rise in costs.</p> <p>The opt-in scheme does not include the audit arrangements for grants and housing benefit returns. PSAA has no power under the Local Audit and Accountability Act 2014 or the Regulations to make arrangements or appointments for assurance on grant claims and returns, and these would require a separate local arrangement as per current practice.</p>
Legal and Governance:	Under Regulation 19 of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) a decision to become an opted-in authority must be taken by the members of an authority meeting as a whole (i.e. Full Council or equivalent).
Risk:	There are no direct risk implications from this report.
Equality:	It was not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

7. Appendices

- 7.1 Invitation letter of 22 September 2021 from Public Sector Audit Appointments.

8. Background Papers

None.