

Report to: **Audit Committee**  
Date: **7<sup>th</sup> December 2021**  
Title: **External Auditor Appointment**  
Portfolio Area: **Finance – Councillor C Edmonds**  
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

**That the Audit Committee:**

1. RECOMMENDS TO COUNCIL that West Devon Borough Council opts into the national arrangement for the procurement and appointment of external auditors, through Public Sector Audit Appointments (PSAA), by 11 March 2022.

## **1. Executive summary**

1.1 Following the closure of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to establish an auditor panel and conduct their own procurement exercise.

- 1.2 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement the Council undertakes with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.
- 1.3 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation the Audit Committee is asked to make the recommendation outlined to Council.
- 1.4 The alternative is to establish an auditor panel and conduct the Council's own procurement. This is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the national sector led procurement, would be likely to result in a more costly service for the provision of an external auditor service.
- 1.5 The majority (if not all) of Devon Councils are choosing to opt into the national arrangements through PSAA for the reasons in this report.

## **2. Background**

- 2.1 As part of closing the Audit Commission, the Government novated external audit contracts to PSAA on 1 April 2015.
- 2.2 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 2.3 The main advantages of using PSAA (the national procurement framework) are set out in the PSAA prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.
- \* Assure timely auditor appointments
  - \* Manage independence of auditors
  - \* Secure highly competitive prices
  - \* Save on procurement costs
  - \* Save time and effort needed on auditor panels
  - \* Focus on audit quality
  - \* Operate on a not for profit basis and distribute any surplus funds to scheme members.

## **2.4 Resource Implications**

If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for external audit fees for 2023/24, although it is anticipated that any increase will be minimised through using the PSAA national framework. 98% of eligible bodies made the choice to opt-in to the national PSAA arrangements for the five year period commencing in April 2018.

## **2.5 Timescale**

A form of notice of acceptance must be sent by the Council before the deadline of 11<sup>th</sup> March 2022. This is a Full Council decision.

## **2.6 Letter from the Local Government Association (LGA) – Appendix A**

A letter from the LGA is attached in Appendix A. The LGA's advice is that 'the national framework remains the best option that Councils can choose'. The letter explains that 'there are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when Councils were last asked to make this choice.'

## **2.7 Devon Position**

It is highly likely that the majority of Devon Authorities (if not all of them) will opt into the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors, for the same reasons set out in this report and in the letter from the LGA. There is no apparent appetite to look at a local procurement exercise in Devon from initial discussions with other s151 Officers in Devon. This is mainly due to the administrative burden and risks around increased costs identified within the report.

## **3. Proposed way forward**

3.1 There are two options available to the Council – join the national scheme (which is recommended) or appoint an auditor via its own procurement process. The Council is currently under the umbrella of the national scheme as overseen by PSAA until 2023. The biggest risk for an authority managing its own procurement will be its ability to secure competitive and cost-effective bids for the work. The appointed auditor must be an eligible local auditor – i.e. on the ICAEW list of key audit partners. An appointment must be made in consultation with an auditor panel. Auditor Panels must have at least three members and have a majority of independent members and be chaired by one of them. Independent members can only be appointed if they have submitted an application for an advertised vacancy.

3.2 It is recommended to Council that West Devon Borough Council opts into the national arrangement for the procurement and appointment of external auditors, through Public Sector Audit Appointments (PSAA), by 11 March 2022.

#### 4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. There are no specific legal implications arising from this report, save that there is a requirement to appoint an external auditor and to follow the appropriate procurement and contract procedure rules.</p>
Financial	Y	<p>If PSAA is not used, some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed, it is not possible to state what additional resource may be required for external audit fees for 2023/24, although it is anticipated that any increase will be minimised through using the PSAA national framework.</p> <p>The current external audit fees for 2020/21 were £50,535.</p>
Risk	Y	<p>As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.</p> <p>The most significant risk is the administration required to appoint the Council's own external auditor and the potential for this to be a more costly exercise, also resulting in higher annual external audit fees. There is also the risk of there potentially being no bidders or take up from the tender exercise.</p>
Supporting Corporate Strategy		<p>The external audit process supports all of the Thematic Delivery Plans outlined in 'A Plan for West Devon'.</p>
Consultation and Engagement Strategy		<p>External consultation and engagement has not been undertaken with regard to this report.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

**Background Papers:**

None

**Supporting Information**

Appendix A – Letter from the Local Government Association (LGA) on external audit provision.

**Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/a</b>