

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	15 th December 2021	AGENDA ITEM NUMBER
TITLE:	PROCUREMENT OPTIONS – EXTERNAL AUDIT	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Public Sector Audit Appointment Letter Sept 2021		

1 THE ISSUE

- 1.1 On 22 September 2021, Public Sector Audit Appointments Limited (PSAA) invited all eligible bodies to become opted-in authorities for the audit years 2023/24 to 2027/28 in its role as a specified appointing person (see Appendix 1). The decision to become an opted in authority must again be made by Full Council and an acceptance notice has to be returned to PSAA by 11th March 2022.

2 RECOMMENDATION

- 2.1 That the Audit Committee recommends to full Council that they approve the use of (PSAA) to carry out the re-procurement of External Auditors to the Council.

3 THE REPORT

- 3.1 There is a statutory obligation to have an external auditor of the council's accounts and an effective auditor is widely recognised as a core component of good corporate governance. The Audit Committee therefore has a key role in advising the Council on the adequacy of its external audit arrangements and supporting the Chief Finance Officer (S151 Officer) in carrying out the Council's statutory duties.

- 3.2 The Local Audit & Accountability Act 2014 put in place the framework which allowed local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms.
- 3.3 In August 2010, it was announced that the Audit Commission would be abolished, with the stated aims being to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.
- 3.4 As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded to Grant Thornton, KPMG, Ernst & Young and Mazars. The contracts commenced in 2012.
- 3.5 The Audit Commission itself closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. The transitional arrangements for principal authorities were extended for a further year until April 2018, however Health bodies and smaller local government bodies still needed to appoint their own external auditors from April 2017.
- 3.6 The government made a decision to allow councils either to come together to procure audit services through PSAA or to appoint their own auditor. A report was submitted to the 27th September 2016 meeting of the Corporate Audit Committee and it was resolved to support the recommended option for the future procurement of external auditors by Public Sector Audit Appointments Ltd. Further information was made available through the PSAA website following that decision, so a further report was submitted to the 12th September 2017 meeting of the Corporate Audit Committee. The Committee Report advised the Committee that the S151 Officer was being asked to confirm the appointment by 22nd September 2017 and therefore the Committee were asked to confirm their decision. It was resolved by the Committee to support the recommended option for the future procurement of External Auditors to the Council by PSAA Ltd.
- 3.7 Within the local government sector the vast majority of Councils expressed a preference to appoint through the PSAA. Like B&NES Council the main reason for choosing the PSAA to procure external auditors was: 1) there were limited resources available to carry this procurement exercise; 2) there were very clear financial and quality benefits of using PSAA; and, 3) it would help the major firms to plan their resources and submit informed bids.

3.8 Full Council approved the recommendation to opt-in to PSAA at their meeting of 10th November 2016. It should be noted that the PSAA reported that out of a total of 494 eligible bodies (at the time of the opt-in period in 2017) 484 took the decision to opt in.

3.9 Grant Thornton have been providing External Audit Services to B&NES Council based on the subsequent appointment by PSAA.

Appointing Period 2023/24 – 2027/28 (5 year period)

3.10 On 22 September 2021, PSAA invited all eligible bodies to become opted-in authorities for the audit years 2023/24 to 2027/28 in its role as a specified appointing person. The decision to become an opted in authority must again be made by Full Council and an acceptance notice has to be returned to PSAA by 11th March 2022.

3.11 There are three alternative methods for B&NES Council to appoint its external auditor for the next five-year period:

1. Undertake an individual auditor procurement and appointment exercise;
2. Undertake a joint audit procurement and appointing exercise with other bodies;
3. Join PSSA's sector led national scheme.

3.12 Aside from having more control over the process, there are no real advantages of choosing options 1 and 2 and indeed there is no appetite within neighbouring authorities for option 2 given the current very challenging local audit market.

As previously reported to Committee there are a number of advantages to joining the PSAA scheme, these include:

- Allowing the Corporate Audit Committee to retain independence in its relationship with the External Auditor;
- Avoiding the need to incur significant additional costs in administering a compliant procurement process, e.g. creating a specification and other tender documentation;
- Benefiting from PSAA's robust process in validating fee variation proposals;
- Assuming a high level of participation based on previous uptake levels will help to support market sustainability;
- Obtaining lower fees based on economies of scale.

- Be part of a network with other local authorities in terms of sharing best practice or tackling key issues in this sector which has been experienced in recent years.

3.13 The Audit Committee are therefore asked to support the recommendation so that full Council can approve the procurement route through PSAA.

4 STATUTORY CONSIDERATIONS

4.1 There is a statutory obligation to have an external auditor of the council's accounts and the Local Audit and Accountability Act 2014 provided framework in which Local Authorities could appoint their external auditors.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct charges from using PSAA Ltd and there are very clear financial and quality benefits by following the recommended option which should also help the major firms to also plan their resources and bids more effectively.

6 RISK MANAGEMENT

6.1 An effective external auditor demonstrates one aspect of good governance on behalf of the Council and the wider Community. This helps to ensure that the Council is delivering good value to its residents from its services and is managing its key risks appropriately.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

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Background papers	<i>Corporate Audit Committee Reports Procurement Update – External Audit 12th September 2017 Procurement Options – External Audit 27th September 2016</i>
Please contact the report author if you need to access this report in an alternative format	