

Title: Appointment of External Auditors
Lead Officer: Mike Snow (01926 456800)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: N/A

Summary

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

Recommendation

- (1)** That the Finance and Audit Scrutiny Committee recommends that Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.
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1 Background/Information

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn/Winter 2021/2022 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 1.3 The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
 - if it does not use the national appointment arrangements, the Council 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;
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor

resources as PSAA's national procurement; and

- 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.
- 1.4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.
 - 1.5 Under the current arrangements up to 2022/23, Stratford and Warwick councils have different auditors, Stratford having Ernst Young and Warwick, Grant Thornton. The new contracts from 2023/24 provide the ideal opportunity for both Councils to have the same auditors in the run-up to the proposed merger in April 2024. The requirement for the Councils to have the same auditor will be stressed to PSAA.
 - 1.6 Under PSAA's procurement timeline, contracts should be awarded in August 2022. The Council will then be notified of the proposed auditor and will need to accept the appointment or set reasons why the appointment should not be made. The appointment will be confirmed ahead of 1 April 2023.

2 Alternative Options available to the Council

- 2.1 If the Council does not 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.

3 Consultation and Member's comments

- 3.1 Comments from the Portfolio Holder have been included within the report.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 N/A.

4.2 Financial

- 4.2.1 Under the PSAA framework, the Council should be able to get better value for money in terms of the audit fees. Under the 2018 arrangements, when PSAA first appointed local authority auditors, there were substantial savings in fees compared to the previous regime under the Audit Commission. As has been noted in recent year, the fees agreed at the start to contract period may change, due to local circumstances and changing accounting and auditing requirements under which the Council and the auditor must operate.
- 4.2.2 Assuming the merger of Stratford and Warwick councils progresses, discussions will be held with PSAA and the appointed auditors to agree the new level of fees for the new authority from 2024/25.

4.3 Council Plan

- 4.3.1 The proposals in this report should help to support all aspect of the Council's Plan, by ensuring that the authority's audit complies with the relevant requirements and is value for money.

4.4 **Environmental/Climate Change Implications**

4.4.1 N/A.

4.5 **Analysis of the effects on Equality**

4.5.1 N/A.

4.6 **Data Protection**

4.6.1 Under the contracts which the auditors will operate, they will need to operate under Data Protection requirements and appropriate confidentiality when dealing with the Council's data and information.

4.7 **Health and Wellbeing**

4.7.1 N/A.

5 Risk Assessment

5.1 Opting in to the PSAA invitation to the Council to participate in sector-led appointment of external auditors is believed to provide least risk to the Council. This option was followed by the vast majority of local authorities five years ago, including all Warwickshire local authorities.

5.2 If the Council was to not opt in with PSAA, the Council would need to follow all the procurement regulations in terms of going through the procurement process. In addition, as referred to earlier, it would need to appoint an auditor panel. This process will undoubtedly be costlier, and potentially present greater risks to the Council.

5.3 The PSAA framework is expected to engage with all eligible audit firm in the sector. If the Council was to seek to procure its auditors directly, there is risk that many of the firms may not be interested in engaging with an individual district council.

6 Conclusion/Reasons for the Recommendation

6.1 It is concluded that the Council accepting Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023 provides the best route for the appointment of external auditors.

Background papers:

N/A

Supporting documents:

Further details may be found on the PSAA website [here](#).

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance and Audit Standards Committee – 9 February 2022	
Title of report	Appointment of External Auditors	
Consultations undertaken		
Consultee *required	Date	Details of consultation /comments received
Ward Member(s)		N/A
Portfolio Holder WDC & SDC *	15/12/20 21	Cllr Hales
Financial Services *	15/12/20 21	Andrew Rollins
Legal Services *	15/12/20 21	Phil Grafton
Other Services		
Chief Executive(s)	15/12/20 21	Chris Elliott
Head of Service(s)	15/12/20 21	Mike Snow
Section 151 Officer	15/12/20 21	Mike Snow
Monitoring Officer	15/21/20 21	Phil Grafton
CMT (WDC)	15/12/20 21	
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Ctte/Council?		Recommendation to Council
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility