

Report to:	Audit committee	Date: 12 October 2022
Subject:	External Audit procurement	
Report of	Section 151 Officer	

Summary

1. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council, as with the vast majority of other Council's, opted into the 'appointing person' national auditor appointment arrangements which were established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
2. PSAA has undertaken a procurement exercise for the next period, covering audits for the 2023/24 to 2027/28 financial years. They announced in a press release on the 3rd of October 2022 that they have retained the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, welcomed former supplier KPMG back to the market, and will be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services. Audit Committee and full Council approved in January 2022 to be part of the national procurement exercise.
3. We have been advised from the PSAA that the level of fees have considerably increased from the previous procurement and that an increase of fees is to be expected in the region of 150% compared to 2022/23. Actual fees are dependent on the amount of work required. We will keep the Committee informed as to the proposed fees and the appointed auditors.

Recommendation(s)

4. That the Council note the firms awarded contracts under the national procurement process and await the announcement of the appointed audit firm who will undertake the audits for Bury Metropolitan Council for the period 2023/24 to 2027/28

Reasons for recommendation(s)

5. PSAA will consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Alternative options considered and rejected

6. There are no alternative options available.
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Background

7. Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:
 - a. To appoint its own auditor, which requires it to follow the procedure set out in the Act
 - b. To act jointly with other authorities to procure an auditor following the procedures in the Act
 - c. To opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
8. Audit Committee and Full Council approved in January 2022 to be part of the national procurement.
9. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
10. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
11. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC). They must also employ authorised Key Audit Partners to oversee the work. As this report sets out, there is currently a shortage of registered firms and Key Audit Partners available to undertake this work.
12. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract period.
13. As a result of these oversight arrangements, Councils therefore have limited influence over the scope of the audit services they are procuring, with the availability of firms available limited to nine.

The Invitation from the PSAA

14. PSAA is specified as the 'appointing person' for principal Local Government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. PSAA has now completed the procurement for audit services from the 2023/24 audit onwards. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
15. In summary the national opt-in scheme provides the following:
 - a. the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
 - b. appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
 - c. managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
 - d. ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
 - e. minimising the scheme management costs and returning any surpluses to scheme members;
 - f. consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;
 - g. consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
 - h. ongoing contract and performance management of the contracts once these have been let.
16. PSAA will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's/Authority's auditor.
17. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
 - a. seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - b. continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
 - c. continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.

18. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office)¹, the format of the financial statements (specified by the Chartered Institute of Public Finance and Accountancy (CIPFA)/ The Local Authority (Scotland) Accounts Advisory Committee (LASAAC)), and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

19. A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

Equality Impact and Considerations:

Please provide an explanation of the outcome(s) of an initial or full EIA.

20. This proposal does not adversely affect equality.

21. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to –

- a. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it. 16.

22. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Environmental Impact and Considerations:

Please provide an explanation of the carbon impact of this decision.

23. The decision by cabinet from this report would have no carbon impact

¹ The Government's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation	These risks are considered best mitigated by opting into the sector-led approach through PSAA.
does not achieve value for money in the appointment process.	These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Legal Implications:

24. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Financial Implications:

To be completed by the Council's Section 151 Officer.

25. The depth of the external audit work to be undertaken has increased, requiring more resources this is reflected in the proposed increase of fees. This increase will need to be included in the current MTFS.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning