



**TO:** Audit & Governance Committee

**FROM:** Director of Finance

**DATE:** 26<sup>th</sup> October 2021

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** Provision of External Audit – PSAA Opt-In Invitation

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## **1. PURPOSE**

- 1.1 The purpose of this report is to inform the Committee of an invitation from Public Sector Audit Appointments (PSAA) Ltd to join the national scheme for the procurement of external audit services with effect from the financial year 2023/24.

## **2. RECOMMENDATIONS**

- 2.1 The Committee is recommended:-
- a) to note the requirement for the Council to appoint an external auditor for the audit of the Statement of Accounts for 2023/24 (and subsequent years) no later than December 2022;
  - b) note the requirement to notify PSAA Ltd of the Council's decision whether opt-in to the national procurement process no later than 11<sup>th</sup> March 2022;
  - c) that a further report on this matter is presented to this Committee on 18th January 2022 with a view to making a recommendation to Finance Council in early March 2022.

## **3. BACKGROUND**

- 3.1 Councillors may be aware that in 2014, the then Government undertook a range of structural reforms to the external audit framework for local public audit (including the arrangements for local government). This led to abolition of the Audit Commission and the decentralisation of the framework for the provision of external audit services to local public services.
- 3.2 The arrangements for the appointment of external auditors under the new regime are set out in the Local Audit and Accountability Act 2014 (the Act). The Act sets provides for the creation of a locally-led audit regime providing local authorities with greater flexibility over the procurement of their external audit service. In essence, Councils can:-
- a) undertake their own procurement and appointment of an External Auditor – this would require the Council to establish an Audit Panel comprising Elected and Independent Members who would be consulted on the selection and appointment of an Auditor;

- b) work collaboratively with other local authorities on a procurement for an External Auditor – this is the same as (a) above but with a procurement exercise undertaken by a group of local authorities who may use a shared Audit Panel for consultation about selection and appointment of an Auditor;
- c) opt in to a Sector-led procurement – this is a national procurement exercise whereby a designated body undertakes the procurement and appointment of an External Auditor on behalf of those Councils that choose to opt-in to this process.

3.3 In response to this, the Local Government Association (LGA) established PSAA as a not-for-profit company to act as an Appointing Body for principal local government and police bodies; in essence, PSAA undertake the procurement, appointment and setting the scale of fees payable for those bodies that opt in to the national scheme.

3.4 With the current contracts for External Audit, 98% of eligible public bodies, including Blackburn with Darwen Council, opted-in to the 5-year period commencing in April 2018.

#### **4. KEY ISSUES**

4.1 The Council's current contract for the provision of external audit expires with the conclusion of the audit of the Council's Statement of Accounts and arrangements for Value for Money in 2022/23. In accordance with the Act, the Council must have appointed an external auditor for the audit of the Council's Statement of Accounts for 2023/24 onwards before the end of December 2022.

4.2 In line with the options set out above, PSAA have issued an invitation to Councils to opt-in to a national procurement exercise. The deadline for responding to the invitation is 11<sup>th</sup> March 2022 and, in accordance with the Act, the decision to opt-in must be taken by the Full Council.

4.3 It is proposed that this matter is considered in more detail by the Audit and Governance Committee in January 2022 with a view to making a recommendation to Finance Council in early March 2022. Given the volatility in the audit environment as a result of, for example, changes in the Code of Audit Practice, concerns over the resilience of local authorities and the broader implications of the Redmond Review and the Government's response to that – all of which have, in some way, led to rising audit fees – a number of Councils are considering the merits of the alternative procurement routes set out above as a way of having a greater degree of control over what they pay for External Audit.

4.4 Between now and then, there will be an opportunity to see whether there is any appetite amongst other local authorities to consider alternatives to the PSAA and what the benefits and disadvantages of these alternatives are. This will form the basis of the report to the Audit and Governance Committee in January 2022.

#### **5. POLICY IMPLICATIONS**

5.1 There are no policy implications arising directly from this report.

#### **6. FINANCIAL IMPLICATIONS**

6.1 There are no financial implications arising directly from this report.

## **7. LEGAL IMPLICATIONS**

7.1 There are no legal implications arising directly from the contents of this report.

## **8. RESOURCE IMPLICATIONS**

8.1 There are no other resources implications arising from the contents of this report.

## **9. EQUALITY AND HEALTH IMPLICATIONS**

9.1 There are no equality and health implications arising from the contents of this report.

## **10. CONSULTATIONS**

10.1 None arising from the contents of this report.

## **11. STATEMENT OF COMPLIANCE**

11.1 The recommendation in this report are made further to advice from the Monitoring Officer.

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Dean Langton – Director of Finance
<b>DATE:</b>	4 <sup>th</sup> October 2021
<b>BACKGROUND PAPERS:</b>	PSAA Opt-In Invitation