



TO: Audit and Governance Committee

FROM: Director of Finance

DATE: 29th November 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Appointment of External Auditors

1. PURPOSE

- 1.1 The purpose of this report is to inform the Audit and Governance Committee of the outcome of Public Sector Audit Appointment's (PSAA) procurement process for the appointment of External Auditors to the Council for the period 2023/24 to 2027/28.

2. RECOMMENDATIONS

- 2.1 The Audit and Governance Committee is asked note and endorse the appointment of Mazars as the Council's External Auditor with effect from 1 April 2023 for a period of 5 years.

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 the 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 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, setting the scale of fees payable and contract management for those bodies that opt in to the national scheme. They undertake this role in accordance with the Local Audit (Appointing Person) Regulations 2015.
- 3.4 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts (5 years in total). Along with 98% of eligible public bodies, the Council opted into the 'Appointing Person' national auditor appointment arrangements established by PSAA for the period covering the accounts for 2018/19 to 2022/23.
- 3.5 In anticipation of the need to re-procure External Auditors for the 5 year period commencing with the financial year 2023/24, at the meeting of Finance Council in February 2022, Councillors resolved again to accept PSAA's invitation for the Council to opt into the sector-led option for the procurement and appointment of External Auditors to principal local government and police bodies. Almost all (99%) eligible public bodies opted in to this procurement process.
- 3.6 As the Council's 'Appointing Body', PSAA are required to appoint an External Auditor to the Council to audit its accounts for a financial year not later than 31st December of the year preceding. As with the present arrangement, the appointment can be for more than one financial year and is, as indicated above, generally for a 5 year period.

4. KEY ISSUES

Appointment of External Auditor for the period 2023/24 to 2027/28

- 4.1 The procurement process conducted by PSAA took place during the Spring/Summer of 2022. On 3rd October, PSAA informed the Council of the outcome of the procurement process. In summary, PSAA offered contracts to six suppliers: Grant Thornton, Mazars, Ernst and Young, KPMG, Bishop Fleming and Azets Audit Services. On 17th October, PSAA subsequently informed the Council that they proposed appointing Mazars as the External Auditor for Blackburn with Darwen for 5 years from 2023/24.
- 4.2 By way of background, Mazars is a large global audit and accounting firm with over 28,000 professionals in 90 countries and territories worldwide. In the UK the firm ranks in the top ten with 2,500 employees and 140 partners working out of 15 offices. The firm's dedicated public audit team has significant experience in providing external audit to public sector bodies. It comprises individuals with experience of auditing councils, combined authorities, police bodies, fire and rescue authorities, local government pension funds and other public bodies. In addition to its audit contract with PSAA, the firm provides services to Audit Scotland and has a substantial portfolio of NHS audits and is one of the National Audit Office's framework suppliers for central government audit.
- 4.3 In developing their appointment proposal, PSAA considered a range of factors including:-
- auditor independence (the most critical of all the factors);
 - joint/shared working arrangements and information from audit bodies;
 - the commitments to the firms under the audit contracts;

- bodies' main offices and firms' geographical preferences;
- the status of prior years' audits; and
- continuity of auditor where it is considered appropriate.

4.4 The Council was given the opportunity to make representations about the choice of Auditor appointment. Following discussions with the Finance Team and in consultation with the Executive Member for Finance and Governance and the Chairman of the Audit and Governance Committee, no such representations were considered necessary. This will mean that, subject to the Council's resolution, the current External Auditor, Grant Thornton will remain in place to undertake the audit of the Council's accounts for 2022/23 and Mazars will be appointed by PSAA for the audit of the Council's accounts from the 2023/24 financial year for five years

5. POLICY IMPLICATIONS

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

6. FINANCIAL IMPLICATIONS

6.1 In concluding the procurement process for the appointment of External Auditors, PSAA advised audit bodies to anticipate an increase in fees in the region of 150% with effect from 2023/24 (whilst acknowledging that actual fees will depend on the amount of work required by individual auditors). **It must be stressed that, irrespective of the choice of auditor appointment, the fees would be the same.**

6.2 On the basis of the latest fee estimates for 2021/22 (the latest information available) which is £136k, this would imply that the Council's audit fees will rise to £340k. The current budget provision is £145k thereby a budget increase of £195k will need to be factored into the Council's budget for 2023/24.

6.3 It should also be noted that it is not known at this stage to what extent the Government will provide Councils with additional funding to reflect the new burdens place on them by the changes in the audit regime.

7. LEGAL IMPLICATIONS

7.1 Section 7 of the Local Audit and Accountability Act 2014 requires the Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. This report has been produced to comply with this statutory obligation.

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 recommendations in this report are made further to advice of Council's Director of Finance as s151 Officer and the Deputy Director of Legal and Governance as the Council's Monitoring Officer.

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	November 2022
BACKGROUND PAPERS:	PSAA Opt-In Invitation Report to Council in February 2022