

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 25 January 2022

From: Interim Director of Finance (s151 Officer)

Subject: **Appointment of External Auditor 2023 onwards**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

1.1 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.

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt into 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).

To opt into the national scheme, a council must decide at a meeting of the Full Council.

1.2 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The report is presented in the context of local government re-organisation and with the support of the Section 151 officer of all 8 councils in North Yorkshire.

1.3 In the context of the Local Government Re-organisation, (LGR), Public Sector Auditor Appointments (PSAA) has advised that existing councils should, if they choose to do so, opt-in to the arrangements in case there is a delay to Local Government Re-organisation.

2.0 The Report

2.1 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 for the period covering the accounts for 2018/19 to 2022/23.

- 2.2 Public Sector Auditor Appointments is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. In late 2021/22, 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 Public Sector Auditor Appointments.
- 2.3 Given our transition to a new unitary council from 1 April 2023, and with agreement of the Section 151 Officers of all eight councils in North Yorkshire this report concludes that the sector-wide procurement conducted by Public Sector Auditor Appointments will, on balance, 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 procurement exercises;
 - 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; 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.
- 2.4 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 1 April 2023, the Council needs to return completed opt-in documents to Public Sector Auditor Appointments by 11 March 2022.

3.0 Link to Council Priorities

- 3.1 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.
- 3.2 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.
- 3.3 Appointment of an appropriate external auditor ensures that the Council adheres to all accounting and financial management standards. The assessment of best value and value for money from an appropriate external auditor will also ensure that Members are assured that the Council is delivering excellent services that meets its priorities.

4.0 Risk Assessment

4.1 The principal risks are that the Council:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

4.2 These risks are considered best mitigated by opting into the sector-led approach through Public Sector Auditor Appointments although as we have experienced over the last two years there are challenges within the audit sector which are impacting on timely delivery.

5.0 Financial Implications

5.1 The levels of fees will probably rise because of this decision. However, there is potential savings from the creation of the new North Yorkshire Council that could mitigate this.

5.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering a large-scale collective procurement arrangement.

5.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

6.0 Legal Implications

6.1 Appointing an appropriate external auditor is a requirement the Local Audit and Accountability Act 2014. Section 7 of the Act 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. Approving this report meets the statutory requirements.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 The Audit, Governance and Standards 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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Background papers: None
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