

COUNCIL MEETING – 24 FEBRUARY 2022

AGENDA ITEM 4 (6)

DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA AS THE ‘APPOINTING PERSON’

A report from the meeting of Corporate Governance, Audit and Standards Committee held on 24 January 2022

1 SUMMARY (AS RECORDED IN THE MINUTES OF THE MEETING)

- 1.1 The Committee considered the Executive Head of Finance Report No. FIN2208, which set out proposals and options available to the full Council for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24.
- 1.2 It was noted that the current auditor appointment arrangements covered the period up to, and including, the audit of the 2022/23 accounts. The Council had opted into the appointing ‘appointing person’ national auditor appointment arrangements which had been established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. PSAA was currently undertaking a procurement exercise for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021, all local government bodies needed to make decisions about their external audit arrangements from 2023/24. Local government bodies had options to arrange their own procurement or they could join and take advantage of the national collective scheme administered by PSAA. The Committee was advised that the decision had to be taken in accordance with the Regulations (i.e. by the full Council) and that notice had to be given to PSAA of the Authority’s intention to opt-in by 11th March 2022.
- 1.3 The Committee was being recommended to accept the PSAA’s invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for the five financial years from 1st April 2023.
- 1.4 According to the PSAA, as of 23 February 2022 it has received acceptances from 300 eligible bodies to become opted-in authorities to the national scheme from April 2023.
- 1.5 Report No. FIN2208 is reproduced below

2 INTRODUCTION

- 2.1 Following the demise of the Audit Commission new arrangements were put in place concerning the appointment of external auditors. Report FIN1625 (Appointment of External Auditor) was considered by the Licensing and General Purposes Committee in November 2016 with a recommendation to Council that Rushmoor opted-into the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

3 BACKGROUND

- 3.1 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.
- 3.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 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.
- 3.3 All local authorities have received an invitation to opt-in to the PSAA arrangements for a further five-year period. A copy of the invitation is included in Appendix A of this report.
- 3.4 The decision must be taken in accordance with the Regulations, i.e., by the Members of the authority meeting as a whole, and notice must be given to PSAA of an authority's intention to opt-in by 11 March 2022.

4 PROPOSAL AND ALTERNATIVE OPTIONS

- 4.1 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.
- 4.2 PSAA reference the following points concerning the opt-in arrangements:
- 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;

- should the Council 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;
- PSAA suggest the opt-in arrangement off 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 to ensuring there is a continuing and sustainable public audit market into the medium and long term.

4.3 If the Council/Authority 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/Authority. 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 no later 11 March 2022.

4.4 As of 07 January 2022 94 public bodies have opted-into the national scheme

[\(https://www.psa.co.uk/about-us/appointing-person-information/becoming-an-opted-in-authority-for-2023-24-2027-28/list-of-opted-in-bodies-from-april-2023/\)](https://www.psa.co.uk/about-us/appointing-person-information/becoming-an-opted-in-authority-for-2023-24-2027-28/list-of-opted-in-bodies-from-april-2023/)

4.5 The Council could decide to conduct its own procurement process or work with other local authorities as part of a wider consortium. Whilst this may be an attractive proposition given the external audit experience under the current PSAA contract, it is not recommended. The Council would need to allocate significant resources (both in terms of time and budget) to a local procurement process and the outcome of a local procurement process is uncertain.

5 CONCLUSION AND RECOMMENDATION

5.1 That Rushmoor Borough 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.

SUE CARTER
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