

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 7</b>
<b>29 NOVEMBER 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Corporate Director, Resources	
Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Corporate Director, Resources	Tel. 452520

**INVITATION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS FROM APRIL 2023**

RECOMMENDATIONS	
<b>FROM:</b> Peter Carpenter, Corporate Director, Resources	<b>Deadline date:</b> 29 November 2021
<p>It is recommended that Audit Committee:</p> <p>1. Confirm to Public Sector Audit Appointments that it will opt into the national scheme for auditor appointments from April 2023 by agreeing at this Committee and then passing to Council for approval.</p>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is for Audit Committee to:

- Confirm to Public Sector Audit Appointments that it will opt into the national scheme for auditor appointments from April 2023 by agreeing at this Committee and then passing to Council for approval.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.8

To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	n/a
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### 4. **BACKGROUND AND KEY ISSUES**

- 4.1 The Council has opted into PSAA's present auditor appointment arrangements.
- 4.2 In June 2017 PSAA completed a procurement to let audit contracts from 2018/19. Ernst & Young LLP was successful in winning a contract in the PSAA procurement, and PSAA appointed them as the auditor of Peterborough City Council for the period up to 2022/23 Financial year.
- 4.3 The Council received notification on the 22<sup>nd</sup> September that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to the Council.
- 4.4 The national scheme timetable for appointing auditors from 2023/24 means PSAA now need to issue a formal invitation to the Council to opt into these arrangements. In order to meet the requirements of the relevant regulations, PSAA also attach a form of acceptance of their invitation which the Council must use if it decides to join the national scheme. PSAA have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.
- 4.5 Given the very challenging local audit market, the PSAA believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why they believe that is the best solution both for individual bodies and the sector as a whole.
- 4.6 PSAA would like to highlight three matters to the Committee:
1. If the Council opts to join the national scheme, PSAA need to receive the Council's formal acceptance of this invitation by Friday 11 March 2022;
  2. The relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. PSAA appreciate this will need to be built into your decision-making timetable. PSAA have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
  3. If the Council decide not to accept the invitation to opt in by the closing date, it may subsequently make a request to opt in, but only after 1 April 2023. PSAA are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow PSAA to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if PSAA need to embark on a further procurement or enter into further discussions with our contracted firms.
- 4.7 The national scheme from 2023 will build on the range of benefits already available for members:
- transparent and independent auditor appointment via a third party;
  - the best opportunity to secure the appointment of a qualified, registered auditor;
  - appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;

- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

4.8 It is the Director of Resources view that opting in to the new PSAA arrangements is still the best route for appointment of Council Auditors.

## **5. CONSULTATION**

5.1 This request will be discussed and approved at Audit Committee before being forwarded to full Council for a final approval.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

6.1 Confirm to Public Sector Audit Appointments that it will opt into the national scheme for auditor appointments from April 2023

## **7. REASON FOR THE RECOMMENDATION**

7.1 The Council has enjoyed a good relationship with its external auditors through the present PSAA arrangements. The arrangements will continue to offer appointment, if possible, of the same auditors to bodies involved in significant collaboration which is important to the Council given its close relationships with the County Council.

7.2 The arrangements will offer a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members. But by far the most important point is that opt in to the scheme offers the best opportunity to secure the appointment of a qualified, registered auditor – which has been a significant issue for the sector in the past 2 years.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 The Council could opt out of the PSAA arrangements and source its External Audit arrangements itself but could not guarantee appointment or costs.

## **9. IMPLICATIONS**

### **Financial Implications**

9.1 The cost of audit is already budgeted in the MTFS.

### **Legal Implications**

9.2 None

### **Equalities Implications**

9.3 None

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 In November 2016 Audit Committee agreed:

1. The adoption of PSAA as the appointing person for the Council, subject to a satisfactory invitation to opt into the PSAA's appointing person arrangements.

## **11. APPENDICES**

- 11.1 1. Invitation to opt into the national scheme for auditor appointments from April 2023 sent on the 22nd September 2021.
2. Form of notice of acceptance of the invitation to opt in.