



Committee and Date

Audit Committee

24th November 2022

10:00 am

Item

Public

EXTERNAL AUDIT PUBLIC SECTOR AUDIT APPOINTMENTS

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1. Synopsis

This report updates Audit Committee on the appointment of external auditors for Shropshire Council from 2023/24 for a period of five years.

2. Executive Summary

- 2.1. Since 2016 Shropshire Council has formally opted-in to the Public Sector Audit Appointments Ltd (PSAA) for the appointment of External Audit organisations for Local Government.
- 2.2. From the 2023/24 Financial Year, the PSAA will, under regulation 13 of the Appointing Persons Regulations, appoint an external auditor to each opted-in body having consulted on their approach.
- 2.3. On 3 October 2022, PSAA wrote to Shropshire Council to confirm that Grant Thornton had been successful in winning a contract in the procurement and PSAA proposed appointing this firm as the auditor for Shropshire Council and Shropshire County Pension Fund for five years from 2023/24.
- 2.4. Consultation on the appointment closed at Midnight on Monday 14 November 2022 and the Section 151 Officer confirmed to the PSAA that he was satisfied with the appointment.
- 2.5. The PSAA plan to write to all local authorities by 31 December 2022 to confirm the Board's final decision on the appointment of the auditor.

3. Recommendations

- 3.1. The Committee are asked to consider and endorse, with appropriate comment, the information provided on the national auditor appointment arrangements with PSAA Ltd, the Local Government Association National Sector Led Body.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including the requirement for the authority to consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that, where a relevant authority is a local authority operating executive arrangement, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority.
- 4.2. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 4.3. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been applied in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
- 4.4. The Secretary of State has enabled PSAA Ltd to be an appointing person for local auditors under a national scheme.
- 4.5. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. The Council's annual external audit fees for the 2021/22 audit were £175,000.

- 5.2. Opting-in to a national Sector Led Body (SLB) provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and removes the costs of establishing an auditor panel. There is no fee for joining the sector led arrangements. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors.
- 5.3. The PSAA will consult formally on scale fees for 2023/24 in Autumn 2023 and will publish confirmed scale fees for 2023/24 for opted-in bodies on their website by 30 November 2023. As indicated in their recent press release which announced the procurement outcome the advice to bodies is to anticipate an increase of the order of 150% on the total fees for 2022/23 (so a £100k 2022/23 total audit fee (scale fee plus fee variations) could become £250k 2023/24 total audit fee - noting that the actual total fees will depend on the amount of work required.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

7. Background

- 7.1. The Public Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 7.2. The Council's current external auditor is Grant Thornton, this appointment having been made under a previous exercise having opted-in to the PSAA appointments process for the period 2018/19 to 2022/23.

8. Update on the national scheme

- 8.1. In developing appointment proposals the PSAA have considered information provided by both opted-in bodies and audit firms, and have had regard to and sought to balance a range of factors including:
- auditor independence, the most critical of all the factors;

- joint/shared working arrangements and information from bodies, prioritising those requests that are most relevant to the auditor’s responsibilities;
 - PSAA’s 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 appropriate.
- 8.2. Further information on the auditor appointment process is available on the PSAA website. [auditor appointment process](#)
- 8.3. PSAA contracts for audit services from 2023/24 have several differences to those in place for the audits of 2018/19 to 2022/23. Key changes made in response to client feedback include payment terms linked to delivery stages of an audit and additional contract management measures within those permissible with the local audit context.
- 8.4. The new contract also includes new limits on supplier liabilities as follows:
- loss of or damage to property £2,000,000 per claim;
 - loss in relation to a failure to perform the services in accordance with the Contract or any other loss caused directly by any act or omission of the supplier £10,000,000 per claim; and
 - any loss incurred arising from non-compliance with the Data Protection Legislation £5,000,000 per claim.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Audit and Accountability Act 2014

CIPFA’s Auditor Panels

Audit Committee, June and November 2016: Audit appointments 2017/18

Council, July and December 2016: Changes to Arrangements for Appointment of External Auditors

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member N/A

Appendices

None