

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

TUESDAY, 30 NOVEMBER 2021

Report Title	EXTERNAL AUDIT PROCUREMENT			
Purpose of Report	To agree the arrangements for the provision of external auditors to review the Council's Statement of Accounts and Value for Money Arrangements.			
Decision(s)	<p>The Committee RECOMMENDS to Council that:</p> <p>a. The Council again becomes a member of the PSAA scheme for the appointment of external auditors for the five years from April 1st 2023</p> <p>b. Authority is delegated to the Strategic Director of Resources to accept the PSAA invitation and to complete the appointment process as necessary.</p>			
Consultation and Feedback	Chair of Audit and Standards Committee, and the Chief Executive			
Report Author	Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk			
Options	Council could choose not to join the PSAA scheme and carry out an individual procurement process			
Background Papers	None			
Appendices	Appendix A – PSAA Prospectus			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

1. INTRODUCTION / BACKGROUND

- 1.1** Under the Local Audit and Accountability Act 2014, the Council must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.
- 1.2** These regulations cover the audit of the Statement of Accounts and of the Council's value for money arrangements. It does not relate to internal audit provision which are covered under separate regulations.
- 1.3** The Local Audit (Appointing Person) Regulations 2015 make provision for the Secretary of State to nominate a "Specified Person" to appoint auditors on behalf of Local Authorities and to set scale fees for the cost of External Audits.

- 1.4 Since the inception of these arrangements the role of the “Specific Person” has been taken on by “Public Sector Audit Appointments” (PSAA). PSAA are a not-for-profit, independent company limited by guarantee, incorporated by the Local Government Association in 2014. Stroud District Council has been an opted in authority for the purposes of the PSAA arrangements and participated in the National Scheme. Over 98% of eligible bodies opted into the new arrangements when they were first introduced.
- 1.5 The appointed auditor for SDC under these arrangements has been Deloitte LLP. Deloitte have carried out the audits since the 2018/19 financial year and report regularly to the Audit and Standards Committee.
- 1.6 These arrangements are now coming to end with the final year covered being 2022/23, and the Council must now decide as to how to proceed with future auditor appointments to cover the period from April 1st 2023.

2. FUTURE ARRANGEMENTS

- 2.1 An invitation has been received from the PSAA, inviting SDC to again become an opted in authority for the next five-year period. In order to be considered as an opted in Authority for the new arrangements, SDC would have to make an application by 11th March 2022.
- 2.2 The last few years have undoubtedly been difficult for the Local Authority audit market. The combination of increasing requirements on Auditors, resourcing issues and the Covid market have led to a significant increase in numbers of audits which are not signed by the deadline in the regulations. This has been the case at SDC for the audits of both the 2019/20 and 2020/21 financial years.
- 2.3 In spite of these challenges, it has been of benefit for us to be part of the existing National Scheme. The procurement was carried out on our behalf, and PSAA work to agree “scale fees” which are the base fee for each year’s audit. Where auditors request additional fees as a result of work carried out these have to be approved by the PSAA as procuring body.
- 2.4 As a small authority there are clear benefits to SDC again joining the national led scheme through the PSAA. The relatively small scale of the audit requirements at this Council are unlikely to generate any savings through a single authority procurement process, rather than joining a sector led scheme which will have considerable economies of scale. There are also advantages in making use of the oversight and expertise which the PSAA would bring to the process.
- 2.5 Correspondence has been received from the LGA expressing their view that the National Framework scheme remains the best option for Councils, and indeed that the reasons for Council’s to act collaboratively are more compelling than when Councils were last asked to make the choice.
- 2.6 Regulations require that the decision on whether to be an opted-in authority or not is made by full Council. As the body responsible for overseeing the External Audit process the Audit and Standards Committee is asked to make a recommendation on to Council.
- 2.7 The PSAA have put together a full prospectus for the national scheme and this is included for information at Appendix A.

3. CONCLUSION

- 3.1** It is recommended that Stroud District Council again opt-in to the national procurement arrangements for external audit. There are clear benefits of joining a sector-led collaborative scheme. This in terms of the resourcing required for the procurement and management of the contract, as well as the expertise and opportunity that is offered by being part of an independent oversight process.

4. IMPLICATIONS

4.1 Financial Implications

It is not possible at that stage to determine the cost of external audit under the new arrangements as the PSAA procurement process is not expected to start until February 2022.

The PSAA scale fee is highly likely to be lower than any fee secured through an individual procurement process.

When known, the new cost of External Audit will be included in the budget setting process for 2023/24 in the usual way.

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4.2 Legal Implications

Section 7 of the Local Audit and Accountability Act 2014 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. 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 exercised in the Local Audit (Appointing Person) Regulations 2015 and this gives the Secretary of State the ability to enable a sector - led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person. As set out in the report, the current arrangements with the PSAA come to an end at the end of this financial year and the Council has received an invitation to join the scheme for the next five years.

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4.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.