

Full Council

11th January 2022



Report of: Denise Murray – Director of Finance

Title: Appointment of External Auditor for 2023/24 and onwards.

Ward: N/A

Member Presenting Report: Vice Chair of Audit Committee

Recommendation

Full Council approves the recommendation of the Audit Committee to accept Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led scheme to appoint an external auditor to audit Bristol City Council's Financial Statement for financial years commencing 2023/24 onwards.

Summary

The decision on the appointment of an external auditor is reserved for Full Council. External Auditors will need to be appointed for the accounting period 2023/24 by 31st December 2022. PSAA Ltd would appoint the external auditors for all opted-in bodies for a period of five years with an option to extend for a further two years by mutual agreement.

The significant issues in the report are:

There are three routes to appointment of the external auditor:

- the Council could undertake its own individual procurement process
- the Council could undertake a joint procurement process with other local authorities.
- the Council could opt into a sector led arrangement provided by Public Sector Audit Appointments (PSAA) Ltd. The decision to take this route requires Full Council approval and the council would need to opt in by 11th March 2022.

Policy

1. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint an 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 that the authority must consult and take account of the advice of its independent auditor panel on the selection and appointment of a local auditor.
2. The Local Audit (Appointing Person) Regulations 2015 enables a Sector Led Body to become the appointing person.

Consultation

3. **Internal**
Finance staff. Procurement staff. Audit Committee.
4. **External**
Not applicable

Context

5. The Council's current provider of external audit services is Grant Thornton who were appointed following the Council's previous decision to opt into a sector led procurement via Public Sector Audit Appointments (PSAA) Limited. This contract runs for the audit of accounts for financial years 2018/19 to 2022/23. The Council now needs to make the decision on how it will appoint external auditors for accounting periods 2023/24 onwards. External Auditors will need to be appointed for accounting period 2023/24 by 31st December 2022.
6. The options for the council in appointing local auditors are a) to undertake an individual procurement and appointment exercise, b) to undertake a joint procurement and appointing exercise with other Local Authorities and c) join a sector led body arrangement as the Council did in 2018. In respect of that last option, the Council will need to 'opt in' to the sector led body arrangement by 11th March 2022 having firstly obtained Full Council approval to do so. (A requirement of the Local Audit (Appointing Person) Regulations 2015).
7. The Audit Committee considered the advantages and disadvantages in respect of each of the options for appointing an external auditor at its meeting on 27th September 2021 and determined that opting into the PSAA arrangements would be most beneficial to the Council both in terms of operational management of the audit contract and the financial economies and value for money that will be obtained.
8. Advantages of this route include a fully independent approach to appointment of the external auditors and saving time and resources by avoiding the need for setting up independent audit panels and undertaking procurement processes. The costs of a procurement and appointing exercise would be shared across participating councils. A national exercise offering large contract values may also encourage participating firms to offer more realistic prices in what is currently a challenging market. Independence issues would be managed by PSAA Ltd who would have a number of contracted firms to call on. The main disadvantage to this approach is the inability of

Bristol City Council to influence the appointment and procurement negotiations to reflect the Councils approach to procurement.

9. PSAA Ltd have undertaken a consultation of authorities who opted into the first appointment period arrangements (covering the audit of accounting periods 2018/19 – 2022/23) to learn and enhance arrangement going forward. Their findings are published and include a commitment to further enhance arrangements related to monitoring quality of service, delays in audits and auditors staffing issues, contract management and value for money in fee setting.
10. The Council has until the end of December 2022 to appoint its External Auditor for audit of the financial statements for 2023/24 and going forward. The invitation to opt into the PSAA national appointment process as recommended in this paper must be accepted by 11th March 2022 if the Council agrees to take this route.

Proposal

11. Full Council approves the Audit Committee's recommendation that the Council 'opts in' to the Sector Led arrangement offered by Public Sector Audit Appointments Ltd for recruitment of the external auditor on the basis that it is the most efficient way to appoint the external auditor and is likely to achieve the most competitive price in what is a currently challenging market.

Other Options Considered

12. **Undertaking an individual auditor procurement and appointment:** Advantages of this route include having local input to the decision as panel members could be appointed locally. However, recruitment and servicing of the required independent Audit Panel, running the bidding exercise and negotiating the contract would be time consuming and costly to the Council. In addition, the Council would not be able to take advantage of reduced audit fees and economies of scale that may be available through joint or national procurement contracts. The council would also be procuring in what is a very challenging market currently.
13. **Undertaking a joint audit procurement and appointing exercise with other Local Authorities:** The Local Audit and Accountability Act 2014 enables the Council to join other local authorities in setting up an Auditor Panel. Advantages of this approach include sharing the cost of setting up the independent panel, running the procurement process and negotiating contacts across a number of authorities. It may also bring opportunity for negotiating economies of scale from a combined contract value. Disadvantages of this approach might include frustrations in the choice of auditor available. Accountancy and Audit firms often complete non audit work for Local Authorities (eg consultancy/ advisory work) which may limit firms who are appointable by a joint process due to independence issues. Should the firm selected be conflicted with Bristol Council in any way, the council would then need to make a separate appointment. The availability of this option to the Council will also depend on the extent to which the other Local Authorities prefer to use either option a or c in preference to this.

Risk Assessment

14. The Council is required to appoint an external auditor for accounting periods 2023/24 and going forward. If it does not do so the Secretary of State will do so on its behalf. Opting into the ‘sector led’ approach is likely to be the most financially favourable in terms of the cost of a procurement exercise and the level of audit fee. There is no fee to opt in to the PSAA scheme.
15. Selecting the alternative options may risk the Council not being able to appoint a suitable external auditor given the currently challenging market.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal

This report meets the requirement set out in the Local Audit and Accountability Act 2014 for the Council to appoint an external auditor

(Legal advice provided by Sinead Willis. Team Leader, Commercial and Governance Team)

Financial

(a) Revenue

The report seeks Full Council’s agreement to the recommendation from Audit Committee to “opt in” to the Public Sector Audit Appointments process of external auditor appointment. This option has been assessed by officers as being the most likely to deliver best value, both in terms of costs of contract procurement and administration.

(b) Capital

None

(Financial advice provided by Michael Pilcher, Chief Accountant)

Land

Not Applicable

Personnel

Not Applicable

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

[PSAAO](#)