

## Report to Council

22 February 2023

By the Director of Resources (S151 Officer)

**DECISION REQUIRED**



**Horsham  
District  
Council**

Not Exempt

Appointment of external auditor for 2023/24 to 2027/28

### Executive Summary

In December 2021, the Council opted out of the Public Sector Audit Appointments (PSAA) Limited national collective. Instead, it sought to independently appoint an external auditor to audit its accounts for the five-year period from 2023/24 to 2027/28 with the aim of improving the timeliness of the audit.

Despite setting up an independent audit panel and running a procurement exercise, only one bid was received, which was subsequently withdrawn. The Council faced the prospect of not having an external auditor in place.

The Council informed the Secretary of State of their inability to appoint their own auditor by 31 December 2022. The Secretary of State has directed PSAA to appoint an external auditor to the Council.

### Recommendations

That the Council is recommended:

- i) to accept the appointment of its auditor through Public Sector Audit Appointments (PSAA) Ltd for the period 2023/24 to 2027/28.

### Reasons for Recommendations

- i) The Council was unable to procure an external auditor through an independent appointment. Folding back into PSAA will result in that appointment being made. The Council is required to have an external auditor.

### Background Papers

Provision of the External Audit of the Annual Accounts – 1 December 2021 Audit Committee report, approved by full Council on 8 December 2021.

**Wards affected:** all

**Contact:** Dominic Bradley, Director of Resources, 01403 215300.

## **Background Information**

### **1 Introduction and background**

- 1.1 In December 2021, the Council opted out of the Public Sector Audit Appointments (PSAA) Limited national collective. Instead, it sought to independently appoint an external auditor to audit its accounts for the five-year period from 2023/24 to 2027/28 with the aim of improving the timeliness of the audit.
- 1.2 Despite setting up an independent audit panel and running a procurement exercise, only one bid was received, which was subsequently withdrawn. The Council faced the prospect of not having an external auditor in place.
- 1.3 The decision to opt out of the PSAA contract in December 2021 was finely balanced and the report of December 2021 stated that it carried the risk that the Council will not be able to appoint an auditor at all and the Secretary of State will do so. This risk has turned into reality.

### **2 Relevant Council policy**

- 2.1 This report supports the Corporate Plan priority of ensuring financial sustainability by taking a route most likely to secure the optimal combination of price and quality for external audit services.

### **3 Details**

- 3.1 A full tender exercise inviting all nine of the eligible external audit firms was run in the Spring / Summer of 2022. The Council received one only response, which was subsequently withdrawn. Informal feedback from several audit firms indicated a lack of capacity to undertake the audit as one of the key reasons they had not put a bid forward.
- 3.2 Following this, having deemed it unlikely that a second procurement exercise would yield any different result, the Director of Resources wrote to the Department of Levelling Up, Housing & Communities in August 2022 requesting permission from the Secretary of State to return the Council into the PSAA. The response is summarised in paragraphs 3.3 to 3.5 below.
- 3.3 Under Section 12(2)(aa) of the Local Audit and Accountability Act 2014 (the 2014 Act) as modified by paragraph 7(b) of the Schedule to the Local Audit (Appointing Person) Regulations 2015 (the 2015 Regulations), if it appears to the Secretary of State that a principal authority which is not an 'opted-in' authority has failed to appoint a local auditor in accordance with Part 1 of the 2014 Act, then the Secretary of State has the power to direct Public Sector Audit Appointments Ltd (PSAA) (as appointing person' specified in accordance with regulation 3(2) of the 2015 Regulations) to appoint a local auditor for that authority.
- 3.4 The Council, which is a principal authority that was not an opted-in authority, notified the Secretary of State that it had failed to appoint a local auditor in accordance with Part 1 of the 2014 Act.

- 3.5 The Secretary of State, in accordance with section 12(4) of the 2014 Act (as modified by paragraph 7e of the Schedule to the 2015 Regulations) wrote to the Director of Resources on 20 December 2022, advising him that the Secretary of State was minded to direct PSAA to appoint a local auditor to Horsham District Council.
- 3.6 Subsequent informal conversations with PSAA and an audit firm indicate that a swift appointment should be possible such that an external auditor should be appointed before 31 March 2023.

## **4 Next steps**

- 4.1 This report recommends the Council accepts the appointment of its auditor through the Public Sector Audit Appointments arrangements and delegate to the Director of Resources to enter into the scheme on behalf of the Council after being satisfied as to the terms and conditions. If the Council approves this recommendation, the Director of Resources will confirm this to Public Sector Audit Appointments Ltd as soon as possible.

## **5 Outcome of consultations**

- 5.1 The Audit Committee were updated with the situation on 7 December 2022. At that time, The Director of Resources had informed the Department of Levelling Up, Housing & Communities requesting permission from the Secretary of State to return the Council into the PSAA, but no Directive had been received from the Secretary of State. The Audit Committee were supportive of the position and agreed that the Chairman of the Audit Committee would write immediately, on behalf of the Council, chasing a response.
- 5.2 The Chairman of the Audit Committee and the Cabinet Member for Finance and Parking were consulted and supported the proposal. The Monitoring Officer has been consulted and her views are included in the report to ensure legal probity. The officer Senior Leadership Team have been consulted and support the proposal.

## **6 Other courses of action considered but rejected**

- 6.1 Running an independent re-tender exercise again was considered but rejected as the view of the Director of Resources and the Audit Committee is that this would be unlikely to result in a competitive bid, or indeed, any bids at all.

## **7 Resource consequences**

- 7.1 There is no direct financial consequence from this report. PSAA provide a scale fee for the audit. The result of the national collective retendering exercise has indicated that the scale fees will increase in the region of 150% from 2023/24. This would have happened anyway whether within the PSAA framework originally, or had the Council been able to attract an independent tenderer. The consultation on the proposed scale of audit fees for 2023-24 will begin in Autumn 2023.
- 7.2 Officer time was spent on the failed procurement exercise and £1,000 was spent on the independent audit panel. However, this cost will be removed in future, as PSAA provide on-going management of the contract.

## **8 Legal considerations and implications**

- 8.1 The legal implications of this recommendation are referred to in the body of the report.

## **9 Risk assessment**

- 9.1 Appointing Public Sector Audit Appointments Ltd substantially reduces the key risks associated with appointing an external auditor. If the Council accepts this decision we do not consider there are any medium or high risks of not appointing an auditor or achieving sub-optimal price or quality from the service.

## **10 Procurement implications**

- 10.1 There are no procurement implications from this report as the procurement has effectively been undertaken by Public Sector Audit Appointments Ltd.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

- 11.1 There are no Equalities or Human Rights implications of Public Sector Equality Duty matters associated with this report.

## **12 Environmental implications**

- 12.1 The only environmental implications of our external audits are the distances travelled by our auditors. In a public procurement, these are not matters we are likely to be able to control, but most audit firms undertake part of their audits remotely.

## **13 Other considerations**

- 13.1 External auditors are allowed full access to all data held by the Council. However, we do not have any significant concerns about GDPR as the central list of external audit firms that can be appointed by PSAA helps ensure arrangements that they meet the full requirements of UK Data Protection Law. There are no Crime & Disorder implications arising from this report.