

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 January 2022

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet

1 APPOINTMENT OF EXTERNAL AUDITORS

To recommend to Cabinet and subsequently Full Council that this Council opts into the appointing person arrangements made by Public Sector Audit Appointments Limited (PSAA) for the appointment of external auditors.

1.1 Introduction

- 1.1.1 From 2018/19, PSAA became an appointing person for principal local government authorities under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 1.1.2 PSAA, an independent company set up by the Local Government Association, is responsible for setting fees, appointing auditors and monitoring the quality of auditor's work at authorities that have opted into PSAA national auditor appointment arrangements.
- 1.1.3 There are three broad options open to the Council in relation to the appointment of external auditors which in summary are:
- Stand-alone appointment – to make a stand alone appointment the Council must set up, consult and take into account the advice of an independent auditor panel. The panel to consist of a majority of independent members (or wholly of independent members) and must be chaired by an independent member.
 - Joint Independent Auditor Panel – join with other councils to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent members.
 - Opt-in to a Sector Led Body (SLB) – the SLB to be appointed by the Secretary of State. The SLB to negotiate contracts and make the appointments on behalf of councils, removing the need to set up an independent auditor panel.

- 1.1.4 The Borough Council, as did most councils, opted into PSAA national auditor appointment arrangements covering the five-year period 2018/19 to 2022/23. It is now time for the Council to make a decision on its external audit arrangement for the period commencing April 2023 where the national appointing arrangements made by PSAA remains the preferred option.
- 1.1.5 Why the SLB is seen as the preferred option? A national Sector Led Body would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit; and would remove the costs of establishing and maintaining an auditor panel. Notwithstanding the current challenging market conditions.
- 1.1.6 The formal invitation to opt-in to the appointing person arrangements made by PSAA for the period commencing April 2023 was received on 22 September 2021 with a closing date of 11 March 2022. The length of the appointing period is the five consecutive financial years commencing 1 April 2023.

1.2 Legal Implications

- 1.2.1 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in to a SLB must be made by full Council.

1.3 Financial and Value for Money Considerations

- 1.3.1 Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.
- 1.3.2 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or jointly. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

1.4 Risk Assessment

- 1.4.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

1.5 Equality Impact Assessment

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Policy Considerations

- 1.6.1 Procurement

1.7 Recommendations

- 1.7.1 Members are asked to **recommend** to Cabinet that this Council opts into the appointing person arrangements made by Public Sector Audit Appointments Limited for the appointment of external auditors for the five consecutive financial years commencing 1 April 2023.

Background papers:

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Nil

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