

**Teignbridge District Council**  
**Audit Scrutiny**  
**27 October 2021**  
**Part i**

**APPOINTMENT PROCESS – EXTERNAL AUDIT**

**Purpose of Report**

To advise Members as to the preferred option for the appointment of an external auditor for the next five year period.

**Recommendation**

**That the Audit and Scrutiny Committee recommend that acceptance of the invitation to opt in to the national scheme for auditor appointments from April 2023 be approved by Council.**

**Financial Implications**

There are no significant financial implications. The main implication is that the external auditors currently cost £59,000 per annum to carry out the main external audit of the financial statements. See section 5.1.

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**Legal Implications**

There are no specific legal implications arising from this report save that there is a requirement to appoint an external auditor and to follow the appropriate procurement and contract procedure rules.

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**Risk Assessment**

Major risks are summarised in section 4. The most significant of these is the administration required to appoint our own auditor and the potential of no take up from the tender exercise.

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## **Environmental/Climate Change Implications**

There are no environmental/climate change implications – see section 7.

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## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

None

### **1. PURPOSE**

To update Members on the options and procedure for appointing an external auditor for the next five years and to seek approval of the preferred option for Council approval.

### **2 BACKGROUND**

**2.1** In July 2016, the Secretary of State specified PSAA (Public Sector Audit Appointments Limited) as an appointing person for principal local government and police bodies for audits from 2018/19 under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five year period commencing in April 2018.

**2.2** The Secretary of State has re-confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. If the Council choose to opt in to the national scheme (as recommended) it must advise PSAA by 11 March 2022. The relevant regulations require that (except for a body that is a corporation sole (e.g. a police and crime commissioner) the decision to accept the invitation to PSAA must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent.

### **3 OPTIONS TO APPOINT**

- 3.1** There are two options available to the Council – join the national scheme or appoint an auditor via its own procurement process. The Council is currently under the umbrella of the national scheme as overseen by PSAA until 2023.
- 3.2** The option to opt in to the national scheme provides transparent and independent appointment via a third party, on-going management of any independence issues which may arise, access to a specialist team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, setting and determining fees and managing any disputes over work etc. Collective efficiencies arise through undertaking one major procurement as opposed to a number of smaller procurements. This option also avoids the need to establish an auditor panel and to undertake an auditor procurement.
- 3.2** The self-appointment option would potentially provide more control over the auditors e.g. timing of audit etc. The biggest risk is whether an authority managing its own procurement will be able to secure competitive bids. Auditors can only be appointed from a short list maintained by the ICAEW. Apart from planning the procurement process and drawing up a contract, the substantial additional burden of self-appointment is having to establish an auditor panel.

The key features of the appointing requirements are:

- appointments have to be made by the 31 December of the preceding financial year – i.e. by 31 December 2022
- appointments can be for a period of one to five years
- the appointed auditor must be an eligible local auditor – i.e. on the ICAEW list of key audit partners (KPAs)
- two or more auditors can be appointed to act jointly or separately in relation to different parts of the accounts
- an appointment must be made in consultation with an auditor panel and taking into account their advice – the authority does not need to follow that advice, but if it does not, then the reasons will need to be set out in a public notice
- auditor panels do not need to be specific to an individual authority – authorities can arrange panels collectively or seek the agreement of the panel of another authority to act for them
- auditor panels must have a majority of independent members and be chaired by one of them
- panels must have at least three members, and independent members can only be appointed if they have submitted an application for an advertised vacancy
- regulations determine how the general requirements for public access to meetings and political balance apply to auditor panels

- auditor panel advice will cover the selection and appointment of an auditor, proposals to enter into a liability limitation agreement and the maintenance of an independent relationship with the appointed auditor (particularly proposals to purchase non-audit services)
- auditor panels have the right to access documents and information necessary for the exercise of their functions and to require members or officers to attend their meetings to answer questions
- detailed regulations cover the scope for limitations of liability and the procedures to be followed for resignation or removal of the auditor

### **3.4 Way forward**

A choice has to be made by the Council as to whether to join the national scheme or carry out its own procurement and selection. There is no apparent appetite to look at a local procurement exercise in Devon from initial discussions and this is mainly due to the burden and risks identified above. Potentially any such exercise could lead to an appointment which would have arisen through the national route anyway. The Local Government Association supports joining the national scheme.

## **4. RISKS**

The major risks to be aware of are mainly in relation to the Council carrying out its own procurement and potential lack of bids or securing an appropriate auditor.

## **5. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **5.1 Resources**

The current audit fees of £59,000 are covered by existing budgets. Any procurement exercise would be managed by utilising existing resources. Future tender outcomes would need to be facilitated in the medium term financial plan. The Council would also need to explore any costs that may be incurred in setting up an auditor panel with independent members.

## **6. GROUPS CONSULTED**

None.

## **7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

There are no environmental/climate change impacts. External audits are currently carried out remotely so no travel is incurred.

**8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

10.00 a.m. on 3 November 2021