

**REPORT TO:     AUDIT COMMITTEE**

**DATE:            09 December 2021**

**REPORT TITLE: APPOINTING AN EXTERNAL AUDITOR**

**DIRECTOR:       MALCOLM COE, DIRECTOR OF INVESTMENT &  
CORPORATE SERVICES (s73 OFFICER)**

**AUTHOR:         MALCOLM COE & SELONGE RUSSELL**

**Purpose of Report**

1. Grant Thornton are the appointed External Auditors for the West of England Combined Authority. They were appointed under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts period up to, and including, the 2022/23 financial year.
2. The PSAA are now inviting public sector bodies to 'opt in' for a further audit period from 2023/24 to 2027/28. Should the Combined Authority wish to take up this offer, we would require a formal decision through the Combined Authority Committee by the required deadline of 11 March 2022.
3. The purpose of this report is to gain the views and recommendation of the Audit Committee to inform the decision to be made by the Combined Authority Committee, (on 28 January 2022), of whether to opt in, or out, of the PSAA Framework.

**Impact of Covid-19 pandemic**

4. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are:
  - (a) Throughout the pandemic, external audit services have, in the main, been delivered remotely with the Combined Authority amending processes and information flows accordingly.

**Recommendation:**

- (a) **The Audit Committee is requested to provide a steer to the Combined Authority Committee as to whether to opt in, or out, of the Public Sector Audit Appointment Framework for the commissioning of external audit services.**

## **Background / Issues for Consideration**

5. The Local Audit & Accountability Act 2014 put in place the framework which allows local authorities to appoint their own external auditors. Prior to 2010, the Audit Commission was responsible for appointments with the work either being undertaken by their in-house auditors or by a limited number of private firms. The Audit Commission was also responsible for standard setting.
6. In August 2010, the then Secretary of State for Communities and Local Government announced that the Audit Commission would be abolished. His stated aims were to reduce costs and improve local democratic accountability by allowing local authorities to appoint their own external auditors from a more competitive market.
7. As part of the transitional arrangements, the Audit Commission undertook a competitive exercise which resulted in a series of regional contracts being awarded to Grant Thornton, KPMG, Ernst & Young and Mazars. The new contracts commenced in 2012 and saved over £25M nationally in audit fees each year.
8. The Audit Commission closed in March 2015 with responsibility for the existing appointments transferring to Public Sector Audit Appointments Limited (PSAA) an independent company established by the Local Government Association.
9. Only the full Combined Authority, (CA), Committee has the ability under the Local Audit & Accountability Act to approve the use of PSAA Ltd to carry out future external audit procurement processes on our behalf although the Audit Committee, being charged with governance, can provide their views to the CA Committee to help inform the decision.
10. The Combined Authority approved the use of the PSAA Ltd in March 2017 which has enabled the CA to come together with other authorities to procure audit services through a sector led organisation and secure the associated economies of scale. To date, Grant Thornton have been our appointed auditor through this process.
11. The current approval covers the external audit of the Statutory Accounts up to and including the 2022/23 financial accounting period. The PSAA are now formally inviting all eligible bodies to opt-in to the national scheme for local auditor appointments for the audits of 2023/24 through to 2027/28
12. Whilst the Act allows the CA to appoint their own auditors or to make a joint appointment directly with other authorities this approach would require the establishment of an auditor panel and the undertaking of a separately resourced procurement exercise.
13. Therefore, within the local authority sector, the vast majority of authorities have, to date, joined the sector led procurement exercise from PSAA. There are no direct charges from using PSAA Ltd and there are very clear financial and quality benefits by following this option which should also help the major firms to plan their resources and bids more effectively.
14. The PSAA process will enable the Combined Authority to influence, and input, to the final decision as to the external firm that will be allocated for the period up to 2027/28

## **Consultation**

15. The Audit Committee is requested to give their views to the CA Committee to inform the decision as to whether to opt in or opt out to the PSAA external auditor appointments process.

## **Other Options Considered**

16. The Combined Authority could appoint their own auditors or make a joint appointment directly with other authorities. However, this approach would require the establishment of an auditor panel and the undertaking of a separately resourced procurement exercise

## **Public Sector Equality Duties**

17. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

- 17.1. The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

17.2. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

## **Finance Implications:**

18. The PSAA process for commissioning external audit services is a free service which enables the CA to benefit from economies of scale as well as accessing national quality assurance of external audit services delivered.

*Advice given by: Malcolm Coe, Director of Investment & Corporate Services*

## **Legal Implications:**

19. The Local Audit & Accountability Act 2014 put in place the framework which allows local authorities to appoint their own external auditors. Public Sector Audit Appointments, (PSAA), commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by

s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of each financial year

*Advice given by: Shahzia Daya, Director of Legal*

**Background papers:**

Procurement of External Auditors report to the Combined Authority Committee – 1 March 2017.

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)