



## SHEFFIELD CITY COUNCIL Report to Council

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**Report of:** Executive Director of Resources  
Chair Audit & Standards Committee

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**Date:** 2<sup>nd</sup> February 2022

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**Subject:** External Audit Re-procurement

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**Author of Report:** Dave Phillips, Head of Strategic Finance

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### **Summary:**

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The Council must re-procure its external auditors, and there is a legislative requirement that this re-procurement must be approved by Full Council.

The Council's Audit and Standards Committee (ASC), whose Terms of Reference include deciding upon external audit re-procurement, have considered the various alternative methods, and concluded that re-procurement using the body supported by the LGA, Public Sector Audit Appointment (PSAA) remains the best approach.

The various options, the ASC report, and the view of the LGA are detailed in the attached papers.

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### **Recommendation:**

That this Council endorses the recommendation of its Audit and Standards Committee and accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

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### **Background Papers:**

Report to Audit and Standards Committee of 23<sup>rd</sup> September 2021  
Letter from the Chairman of the LGA of 23<sup>rd</sup> September 2021

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**Category of Report:** OPEN

## Statutory and Council Policy Checklist

<b>Financial implications</b>
YES – Cleared by David Phillips
<b>Legal implications</b>
YES – Cleared by Sarah Bennett
<b>Equality of Opportunity implications</b>
NO
<b>Tackling Health Inequalities implications</b>
NO
<b>Human Rights implications</b>
NO
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community Safety implications</b>
NO
<b>Human Resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Scrutiny Committee if decision called in</b>
N/A
<b>Is the item a matter which is reserved for approval by the City Council?</b>
Yes
<b>Press release</b>
NO

## **EXTERNAL AUDIT REPROCUREMENT**

### **1. SUMMARY**

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies have to make a decision about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join the national collective scheme administered by PSAA.
- 1.3 Re-procurement was considered by the Council's Audit and Standards Committee which concluded that the sector-wide procurement conducted by PSAA would produce better outcomes and would be less burdensome for the Council than a procurement undertaken locally because:
  - a) The costs of setting up the appointment arrangements and negotiating fees will be shared across all opt-in authorities.
  - b) By offering large contract values, the firms should be able to offer better rates and lower fees than are likely to result from local negotiation.
  - c) Any conflicts of interest at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon.
  - d) The appointment and subsequent audit is demonstrably independent of the Council.
  - e) The Council can utilise PSAA expertise in compiling the tender and in undertaking all the procurement processes, so there would be no costs or resource requirements from the Council. PSAA also commit to the on-going contract management, quality assurance of contract delivery, and agreement of additional fee requests.
  - f) PSAA manage any subsequent fee disputes, and can apply their knowledge from other clients to determining a reasonable fee.
  - g) The Council supports the LGA collective national procurement process.
- 1.4 Please note the full option appraisal is contained in the attached Audit and Standards Committee report.

- 1.5 Further support for this decision is offered in the letter from the Chairman of the LGA. In the letter he discusses the various challenges that external audit has faced over the last few years, and concludes that these challenges are best faced by a united sector-wide procurement via PSAA.
- 1.6 It should also be noted that 98% of local authorities opted to use PSAA in the last procurement round, as did this Council, so PSAA was the overwhelming choice of the sector then.
- 1.7 After carefully considering this information, the Council's Audit and Standards Committee recommended the Council should accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors.
- 1.8 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council must return completed opt-in documents to PSAA by 11 March 2022.

## **2. FINANCIAL IMPLICATIONS**

- 2.1 Fees for the Council's external audit will be set by PSAA, and will be payable annually. The current nationally set scale fees for the audit of the Council's financial statements are £144,000 per year, although, given the difficulties in the audit market, it is anticipated that these fees will rise significantly in the next contracting round. Any increases in fees will be subject to negotiation and agreement. It is anticipated that joint procurement will allow advantageous fees to be agreed, compared to procuring outside the national arrangements.

## **3. LEGAL IMPLICATIONS**

- 3.1 Section 7 of the Local Audit and Accountability Act 2014 requires relevant authorities to appoint a local 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 authorities must consult and take account of the advice of their auditor panels on the selection and appointment of a local auditor.
- 3.2 In a local authority operating executive arrangements, as Sheffield currently does, the function of appointing a local auditor is the responsibility of the Council and not the Executive.
- 3.3 The Act and the Local Audit (Appointing Person) Regulations 2015 (SI 192) also give the Secretary of State the power to specify an 'appointing person' who can appoint a local auditor on behalf of a relevant authority. In July 2016 the Secretary of State specified PSAA as the appointing person.

Accepting the invitation to join the national arrangements allows the Council to comply with its legal requirement to appoint an external auditor and is felt to be the best way of doing so for the reasons set out in this Report.

#### **4. EQUALITY OF OPPORTUNITY IMPLICATIONS**

- 4.1 There are no direct equalities implications from this report.

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