

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 2022



Title of Report	FUTURE EXTERNAL AUDIT ARRANGEMENTS - UPDATE	
Presented by	Glenn Hammons Interim Head of Finance	
Background Papers	Future External Audit Arrangement – Council 10 May 2022	Public Report: Yes
Purpose of Report	This report provides an update on the appointment of North West Leicestershire District Council's external auditor for the five year period commencing financial year 2023/24.	
Recommendations	THAT THE COMMITTEE NOTE THE PROGRESS UPDATE ON THE PUBLIC SECTOR AUDIT APPOINTMENTS' (PSAA) PROCESS FOR THE APPOINTMENT OF EXTERNAL AUDITORS TO PRINCIPAL LOCAL GOVERNMENT AND POLICE BODIES FOR FIVE FINANCIAL YEARS FROM 1 APRIL 2023.	

1.0 BACKGROUND - test

- 1.1 The current external auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. North West Leicestershire District Council opted into the 'appointing person' national collective auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. Mazars have been the Council's appointed auditors for this period.
- 1.2 At its meeting on 20 April 2022 the Audit and Governance Committee considered a report on the process for appointing an external auditor for the period from 1 April 2023. The Committee recommended to Council that it endorse the decision made to accept the PSAA 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 2024.. At the Council meeting on 10 May 2022 this recommendation was formally agreed.
- 1.3 This report provides an update to the Committee on progress with the appointment of an external auditor through the PSAA.

2.0 PROGRESS UPDATE ON APPOINTMENT OF EXTERNAL AUDIT ARRANGEMENTS

- 2.1 On the 3 October 2022 the PSAA provided an update on the outcome of their procurement process for the appointment of external auditors for the five year period commencing 1 April 2023.
- 2.2 A full copy of the PSAA announcement can be found at the following link ([Press release: PSAA Announcement of Procurement Outcome – PSAA](#)).
- 2.3 The key points from the PSAA announcement are set out below:
- 470 local government, police and fire bodies (99% of eligible local bodies) have opted into the PSAA national scheme for the next appointing period spanning the audits from 2023/24 to 2027/28
 - The procurement took place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties including large volumes of delayed audit opinions.
 - PSAA have offered contracts to six suppliers following a competitive process that was protracted reflecting the limited capacity available in the market.
 - PSAA are to retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, to welcome former supplier KPMG back to the market, and to be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.
 - The bid prices received in this procurement reflect a significant increase compared to the previous procurement in 2017. The audit industry has faced major challenges in the intervening period. In addition local audit faces several distinctive difficulties which have resulted in a less competitive market.
 - In Autumn 2023 PSAA will consult on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts. At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required.
- 2.4 On the 17 October 2022 the PSSA wrote to the Council advising that the proposed external auditor from 1st April 2023 for 5 years would be Azets Audit Services. In line with the PSAA appointment process there is a period of consultation, which closes on 14 November 2022, where the council is required to confirm they are satisfied with the proposed appointment or make representations with clear reasons why the proposed appointment should not be made.

3.0 FINANCIAL IMPLICATIONS

- 3.1 As set out in the final bullet point in paragraph 2.3 there is estimated to be a significant increase for councils audit fees. The table below sets out the estimated impact for the Council. It should be noted this is only an estimate and the PSAA will consult on their proposed fees in Autumn 2023 for the 2023/24 audit of accounts. The council will need to ensure that this pressure is included in its Budget plans for 2023/24 and beyond.

	Current Budget 2022/23	Estimated Budget 2023/24	Change
Audit Scale Fee	£45,000	£103,000	+ £58,000
Grant Audits (Capital Receipts Pooling and Housing Benefit Subsidy)	£11,000	£27,000	+ £16,000
Total	£56,000	£130,000	+ £74,000

Policies and other considerations, as appropriate	
Council Priorities:	There are no direct implications. The procurement route chosen by the council is considered the best means for establishing value for money in resources.
Policy Considerations:	No direct policy considerations
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community/Tenant Engagement:	None.
Risks:	None.
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