
Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE
COUNCIL

Date: 8th February 2022
28th February 2022

Decision Type: Non-Urgent Non-Executive Non-Key

Title: APPOINTMENT OF THE EXTERNAL AUDITOR

Contact Officer: David Dobbs, Head of Corporate Finance and Accounting
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Ward: Borough Wide

1. Reason for report

- 1.1 Under the Local Government Audit and Accountability Act (2014) the Council is required to appoint an external auditor to audit its accounts each financial year. The current auditor appointment (with EY as the incumbent) covers the period up to and including the audit of the 2022/23 accounts.
- 1.2 This report sets out options for appointing the external auditor for the five-year period from 2023/24. It concludes with a recommendation to opt-in to a sector-led approach via the established sector-led body, Public Sector Audit Appointments Ltd (PSAA) and outlines the next steps required.
- 1.3 The decision on the appointment of the auditor is one that cannot be delegated by Full Council but is being brought to this Committee for its prior review and consideration.

2. RECOMMENDATION

- 2.1 That Council be recommended to approve the proposal to become an 'opted in' authority with Public Sector Audit Appointments Ltd for the appointment of its External Auditor for the five-year period for 2023/24 onwards.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing Policy.
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head:
 5. Source of funding: Existing budgetary provision for external audit fees.
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: N/A.
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Background

- 3.1 The current external auditor appointment arrangements were agreed by Council in 2017 and cover the five years up to and including the audit of the 2022/23 accounts. To make the appointment, Bromley opted into the national auditor appointment arrangements established by Public Sector Audit Appointments Limited (PSAA).
- 3.2 Under the Local Government Audit and Accountability Act (2014), the Council is required to appoint an auditor to audit its accounts for each financial year. The statutory requirement is to have an auditor appointment in place by 31 December of the year preceding the start of the contract i.e., by 31 December 2022. The time needed to run an effective procurement process means that the Council needs to decide how it wishes to undertake the process.
- 3.3 PSAA has formally invited all eligible bodies to become opted-in authorities to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028. The length of the compulsory appointing period is the five consecutive financial years.

Options Available

- 3.4 Under the Local Government Audit and Accountability Act (2014) there are three options available to a Local Authority in appointing an external auditor. However, the scope of a local audit is fixed and is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by the Chartered Institute of Public Finance and Accountancy) and the application of auditing standards is currently regulated by the FRC.
- 3.5 The options are:
- To arrange our own procurement and make the appointment ourselves through an independent Auditor Panel;
 - To arrange procurement in conjunction with other Council's through a joint independent Auditor Panel; or
 - To again utilise the national collective scheme administered by PSAA (i.e., the opt-in to the sector led approach described in paragraph 3.3).
- 3.6 Consideration of the options indicates that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally primarily because:
- Collective procurement reduces costs for the sector and for individual bodies and should bring economies of scale through purchasing power;
 - If it does not use the national appointment arrangements, Bromley will need to establish its own Auditor Panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract. This will incur additional resources and officer time;
 - It is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms¹, and a local procurement would be

¹ As at June 2021, the nine registered firms are: BDO, Cardens, Deloitte, EY, Grant Thornton, KPMG, Mazars, PWC and Azets UK.

drawing from the same limited supply of auditor resources as PSAA’s national procurement; and

- Supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term. Additionally, the central co-ordination of appointments and management of contracts will help to manage possible conflicts and provide for synergy in the appointment-making process.

3.7 The sector-led approach via the PSAA has the support the Local Government Association, which set up the PSAA during 2014. Additionally, it is anticipated that this will be the most popular option across the sector as a whole, for the reasons set out above.

Next Steps

3.8 If Bromley decides to take advantage of the national auditor appointment arrangements and opt into the PSAA scheme, formal notification must be given by 11 March 2022. This is a decision which the relevant regulations require can only be made by Full Council or its equivalent.

3.9 As noted earlier in the report, if Bromley wishes to pursue either sole or joint procurement then arrangements will need to be made to convene an Auditor Panel in line with the requirements, including a majority of independent members and an independent chair.

4. FINANCIAL IMPLICATIONS

4.1 Opting-in to the national scheme provides a strong opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into a large-scale collective procurement arrangement.

4.2 If the national sector-led scheme is not utilised, additional resources will be needed to establish and convene an Auditor Panel and conduct a local procurement exercise.

5. LEGAL IMPLICATIONS

5.1 The relevant legislation governing this matter is the Local Audit and Accountability Act 2014. Further requirements are set out in the Local Audit (Appointing Person) Regulations 2015.

Non-Applicable Sections:	Personnel Implications; Policy Implications; Impact on Vulnerable Adults and Children; Procurement Implications.
Background Documents: (Access via Contact Officer)	Background documents are available from the Head of Corporate Finance & Accounting.