



North Devon Council

Report Date: 24 November 2021

Topic: Appointment of External Auditors from 2023-24

Report by: Director of Resources and Deputy Chief Executive

1. INTRODUCTION

- 1.1 The provision of external audit in Local Government has undergone a number of fundamental changes in recent years, although limited to delivery arrangements as opposed to technical change of approach.
- 1.2 External audit in Local Government was previously a responsibility of the Audit Commission, which was originally set up in 1983 for this purpose. The Local Audit and Accountability Act 2014 abolished the Audit Commission as at 31 March 2015 and its functions are now delivered via Public Sector Audit Appointments (PSAA), National Audit Office (NAO), Financial Reporting Council and the Cabinet Office.
- 1.3 The arrangements for the future provision of external audit were also laid out in the 2014 Act part of which transferred the responsibility for appointing external audit back to the sector itself. The current contracts for external audit are being overseen by PSAA and run through to the conclusion of the 2022-23 audits.
- 1.4 This report considers what options are available to North Devon Council for the future provision on external audit services commencing with the 2023-24 audit. The report has been presented to the Governance Committee on 16th November 2021 and their recommendation is included within the minutes on this agenda.

2. RECOMMENDATIONS

- 2.1. It is recommended that North Devon Council opts into the national scheme for auditor appointments from April 2023 and formally accepts the proposal from Public Sector Audit Appointments.

3. REASONS FOR RECOMMENDATIONS

- 3.1. There is a legal requirement to have an external audit and the legislation changed allowing a variety of options available to procure and select external audit firms. Whilst such freedoms are generally welcomed it is recognised that in this tightly regulated area a source of national procurement by a provider appointed by the Secretary of State and supported by the Local Government Association (LGA) offers a beneficial and more effective process than North Devon Council undertaking alone.

3.2. The provision of External Audit is covered by the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Under the legislation North Devon Council has to appoint its external auditor for the 2023-24 financial year before the end of December 2022.

4. REPORT

- 4.1. North Devon Council's current external auditor is Grant Thornton UK LLP (GT) and this arrangement has been in place since 2018-19 when this Council opted into the current national scheme for auditor appointments for the five-year period commencing in April 2018; alongside 98% of eligible bodies who chose to opt in.
- 4.2. Grant Thornton UK LLP (GT) will remain North Devon Council's External Auditors until the conclusion of the 2022-23 audit and in order to comply with legislation North Devon Council must appoint an external auditor for the audit of the accounts for 2023-24 before the end of 2022
- 4.3. The Act allows individual authorities to procure and appoint its own External Auditors independently. However, operating under this arrangement requires the setting up of independent auditor panels.
- 4.4. The Secretary of State has again specified Public Sector Audit Appointments (PSAA) as the appointing person for principal local government bodies, which gives them the role of appointing local auditors under a national scheme. What this means is that they will be able to procure external audit services at a national level for all those authorities who wish to opt into the scheme thereby removing the onus on individual authorities to act alone.
- 4.5. Public Sector Audit Appointments (PSAA) previously secured the necessary arrangements under the legislation and are supported by the Local Government Association (LGA). They will appoint auditors for a period of 5 years with effect from 1 April 2023. **Appendix A** to the report sets out the role and what Public Sector Audit Appointments (PSAA) will deliver as the appointed person.
- 4.6. The experience from the last four years together with discussions with other Councils across Devon have led to a general consensus that opting in to the national scheme is far more practical and cost effective than attempting to set up individual or joint / partnership arrangements with groups of councils.
- 4.7. North Devon Council has received the official offer to opt into the scheme provided by Public Sector Audit Appointments (PSAA) and they **require confirmation of whether North Devon Council wants to by 11 March 2022**. In order to opt into the scheme the legislation requires approval of Full Council, of which the next meeting is being held on 24 November.

5. RESOURCE IMPLICATIONS

5.1. The current cost of the external audit service provided by Grant Thornton UK LLP (GT) for 2020-21 was £57,999 (2019-20 was £50,599). The fees back in 2017-18 were £60,788; the final year before the current 5-year contracts were put in place.

5.2. The service with effect from 1 April 2023 will be subject to a national procurement exercise and therefore the cost may differ to that currently budgeted for at present. However, it is anticipated that opting into a national scheme could deliver financial benefits notwithstanding the savings made by not having to implement independent audit panels and the costs of procuring the services individually ourselves.

6. EQUALITIES ASSESSMENT

6.1. There are not any equalities implications anticipated as a result of this report.

7. CONSTITUTIONAL CONTEXT

7.1. Article 4.5 of Part 2

8. STATEMENT OF CONFIDENTIALITY

8.1. This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9. BACKGROUND PAPERS

9.1. The background papers are available for inspection and kept by the author of the report.

10. STATEMENT OF INTERNAL ADVICE

10.1. The author (below) confirms that advice has been taken from all appropriate Councillors and Officers:

Jon Triggs, Director of Resources and Deputy Chief Executive