

ITEM 11 – REFERRAL FROM AUDIT COMMITTEE

9th February 2022

Item 7 Re-Procurement of the External Audit Function 2023-28

Decision

To recommend to Council that Dacorum opt into the national auditor arrangement scheme, overseen by the Public Sector Audit Appointments (PSAA), for procurement of external Audit appointments for financial years 2023/24 to 2027/28.

Corporate Objectives:

Ensuring efficient, effective and modern service delivery.

Monitoring Officer/S.151 Officer Comments

Monitoring Officer:

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council 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 Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements;

Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Deputy S.151 Officer:

This report is a S151 Officer Report and comments are included in the body of the report.

Advice

Cllr Birnie queried, why do we need to commit to 5 years?

NHowcutt confirmed, but explained that is the core audit fee, what has happened in recent years is that they have started adding additional fees, which has been the case in Herts Authorities. PSAA has driven fees down to a level where external audit companies are

unable to deliver on time as they are unable to get the resources and provide them within timeframe. Driven price down to a point it is unsustainable and undeliverable.

The report therefore sets out that we do not expect the PSAA procurement to come out lower than the current cost of audit, expect them to probably increase and the reason for the 5 year procurement is partly because external audit firms want an extended period of time on commitment to make it sustainable for the training and recruitment on ongoing basis as not enough auditors in sector to deliver. If we go out for shorter time they will not be willing to make the commitment so won't get people bidding. PSAA need to make this attractive to bidders. Going with PSAA gives more comfort than going with a very risky and expensive procurement exercise ourselves.

Cllr Birne queried, have we been using the PSAA over last few years?

NHowcutt confirmed this is a re opt in to an approach we have used before, not a change in approach. PSAA is the government assigned body for doing this, government fund Local Authorities for doing this as they are aware in increase in audit fees. If PSAA go out to procure and the fees go up considerably it is likely that government will be expected to pick up those fees.

NHowcutt added that if we chose not to opt in but are unable to procure our own external audit then the PSAA will allocate us an auditor as they are the government appointment body, so it makes more sense to be in from the beginning and driving that process.

FJump confirmed the main option open to us is to procure these services through PSAA, there isn't really another sensible option open to us and it is the one being taken by most local authorities.

Agreed to recommend that Council agree for Dacorum to opt into the national auditor arrangement scheme asset out in the recommendations of this report to Audit Committee.