



South Downs
National Park Authority

Agenda Item 13
Report NPA21/22-17

Report to	South Downs National Park Authority
Date	16 December 2021
By	Head of Business Services
Title of Report	Future Audit Arrangements
Decision	

Recommendation: The Authority is recommended to

- 1. Accept Public Sector Audit Appointments Ltd (PSAA's) invitation to become an opted in authority for the purposes of the appointment of a local auditor; and**
- 2. Authorise the Chief Executive to notify PSAA of the Authority's acceptance of the invitation in accordance with PSAA's notification requirements and to publish any notices required as part of the local auditor appointment process.**

1. Introduction

- 1.1 The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 1.2 At a meeting on 5 July 2016, the Governance Committee considered a report outlining three options for the future audit arrangements; Making a stand-alone arrangement, setting up a Joint Auditor Panel with local joint procurement arrangements, or opting in to a sector led body. The Governance Committee approved the preferred option on opting in to a Sector Led Body and to recommend this course of action to the Authority
- 1.3 Subsequent to that, South Downs National Park Authority formally opted-in to the tender process leading to the appointment of the external auditor on a five-year term.
- 1.4 The initial five-year term concludes on the audit of accounts for financial year 2022/23 and therefore it is necessary to put in place arrangements to run from 2023/24.

2. Policy Context.

- 2.1 By virtue of section 7 of the Act, the NPA is required to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Such an appointment can be for more than one year but the maximum term of the appointment is five years. The first financial year subject to the new contract will be the financial year 2023/24. The Act and the Local Audit (Appointing Person) Regulations 2015 (the Regulations) enable authorities to choose to allow another body (specified by the Secretary of State) to make the local auditor appointment to the authority. Once a specified person makes a local auditor appointment, the opted in authority must, within 28 days of being notified of the appointment, publish a notice containing specified details of the appointment.
- 2.1 The Local Government Association (LGA) has managed the process through Public Sector Audit Appointments Ltd (PSAA), a not for profit organisation set up by LGA to manage the

transition. PSAA manage the current audit contracts in England for NHS and Local Government.

- 2.2 The three options and the advantages and disadvantages of each were discussed at the time of taking the initial decision five years ago and this is included in the detail of the report to Governance Committee, which is listed as a background document to this report. The advantages and disadvantages of the recommended option are remain as follows;

Advantages/benefits

- 2.3 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- 2.4 By offering large contract values, the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. SDNPA have contacted PSAA directly and have received assurances that the scale fees will take into account organisations with a turnover of c£10m.
- 2.5 Any conflicts at individual authorities would be managed by the sector led body who would have a number of contracted firms to call upon. PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements
- 2.6 There will be no need for the NPA to establish alternative appointment processes locally, including the need to set up and manage an ‘auditor panel’ (although the Authority may still have an auditor panel with a restricted remit if it wishes).

Disadvantages/Risks

- 2.7 Individual elected members will have less opportunity for direct involvement in the appointment process other than through LGA and/or stakeholder representative groups.
- 2.8 In order for the sector led body to be visible and to be placed in the strongest possible negotiating position the sector led body will need Councils and other Authorities to indicate their intention to opt-in before final contract prices are known.

3. Invitation to become an Opted In Authority

- 3.1 The invitation to opt into the national scheme for auditor appointments was received from PSAA Ltd on the 22 September (set out at appendix I) This is an invitation to continue with the current arrangements for the auditor appointments. The other two options are; to make a stand-alone appointment, which would involve SDNPA in establishing an independent auditor panel to evaluate bids and to run a separate procurement, or; to set up a Joint Auditor Panel/local joint procurement arrangements. Either of those two options would result in a commitment of additional resources and expense, and is unlikely given the economies of scale available to the national body, to result in best value.

4. Next steps

- 4.1 In order to opt to join the National Scheme, SDNPA need to accept the invitation to join by 11 March 2022. Due to an oversight, it is not possible to seek the views of the Policy and Resources Committee prior to making this recommendation to the NPA. However, failure to do so does not prevent the Authority taking a decision, as any function delegated to a committee can be exercised by the Authority.
- 4.2 This will allow SDNPA to be included in the tender process, which will be undertaken during the remainder of 2022, culminating in appointments of auditors before 31 December 2022.

5. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No

Does the proposal raise any Resource implications?	The resource implications of the preferred option are not likely to be significant
How does the proposal represent Value for Money?	The current national framework delivers excellent value for money to the Authority
Are there any Social Value implications arising from the proposal?	The organisation procuring the framework would be responsible for ensuring the process is compliant with the Social Value Act. In reality, the provision of external audit to public authorities is so tightly regulated that the scope for this is likely to be very limited.
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	PSAA will be managing the local auditor procurement process, which will involve consideration of equality implications. Officers will seek confirmation from PSAA that due regard shall be taken of the Authority's equality duty.
Are there any Human Rights implications arising from the proposal?	There are no human rights implications in this paper
Are there any Crime & Disorder implications arising from the proposal?	An effective external audit process mitigates against the risk of certain types of criminal activity.
Are there any Health & Safety implications arising from the proposal?	No
Are there any Data Protection implications?	None
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy:	None

6. Risks Associated with the Proposed Decision

6.1 The current proposal does not carry any significant risk to the Authority

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Appendices: Appendix 1 – PSAA Ltd invitation letter
SDNPA Consultees: Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services
External Consultees: None

Background Documents Authority Report titled 'Future Audit Arrangements' dated 31 January 2017 https://www.southdowns.gov.uk/wp-content/uploads/2017/01/NPA_2017January31_Agenda-Item-12.pdf
Governance Committee Report titled 'Future Audit Arrangements' dated 5 July 2016 https://www.southdowns.gov.uk/wp-content/uploads/2016/06/GOV_July-5-2016_Agenda-Item-10.pdf

22 September 2021

To: Mr Beattie, Chief Executive
South Downs National Park Authority

Copied to: Mr Manvell, S151 Officer
Councillor Wood, Chair of Audit Committee or equivalent

Dear Mr Beattie,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

