

Report Title:	<b>Appointment of Local External Auditors</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Finance and Ascot
Meeting and Date:	Audit and Governance Committee – 17 February 2022
Responsible Officer(s):	Adele Taylor, Executive Director, Resources Andrew Vallance, Head of Finance
Wards affected:	All

## REPORT SUMMARY

*The report recommends arrangements for the appointment of local external auditors under the Local Audit and Accountability Act 2014 for the financial years 2023/24 to 2027/28.*

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Audit and Governance Committee notes the report and:

**RECOMMENDS** to Council at its meeting on 24th February 2021 that RBWM remains part of the Public Sector Auditor Appointments (PSAA) collective procurement arrangement to appoint an External Auditor from the 2023/24 financial year on the grounds that this approach is most likely to achieve best value in a restricted market and avoids the need and cost of the Council itself undertaking a complex and time-consuming procurement process.

### 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 To ensure that arrangements are agreed for procuring local external auditors in time for the 2023/24 accounting year.

## Options

**Table 1: Options arising from this report**

Option	Comments
To remain part of the collective PSAA procurement <b>This is the recommended option</b>	This is the preferred option for the reasons set out in the report
To procure external auditors alone	This is not the recommended option for the reasons set out in the report

### 3 BACKGROUND

3.1 Under the Local Audit and Accountability Act 2014, following the closure of the Audit Commission, local authorities are responsible for appointing their own external auditor. The appointment process needs to be undertaken in accordance with procurement rules which specify particular stages and timescales. There are five key stages of the process which are likely to be common across authorities:

- i) decide on the appointment process (a decision for Council whether to use the sector led body or appoint independently)
- ii) (if appointing independently) determine the important criteria to be considered when selecting the auditor and invite expressions of interest against these
- iii) evaluate expressions received
- iv) final evaluation of tenders
- v) recommendation to the authority.

3.2 Having reviewed the options available and in common with almost all local authorities, the Council in February 2017 decided to opt in to the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

3.3 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015 and is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period (2023/24 – 2027/28) and to complete a procurement for audit services. The national opt-in scheme provides the following:

- The appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
- Appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
- Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.
- Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
- Minimising the scheme management costs and returning any surpluses to scheme members.
- Consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed.
- Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk.
- Ongoing contract and performance management of the contracts once these have been let.

3.4 When audit contracts were last awarded in 2017 the audit market was relatively stable, there had been few changes in audit requirements, and local

audit fees had been gradually reducing over a long period. During 2018 a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

- 3.5 A national drive to improve audit quality has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. Firms have asked their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. While changes to working practices arising from the Covid pandemic have been a factor in delayed audit opinions in recent times, timescales were increasingly under pressure prior to 2020. Additional audit work costs more and as a result, many more fee variation claims have been needed than in prior years.
- 3.6 Against this backdrop, the arguments in favour of participating in a sector-wide collective approach to appointing a local auditor rather than doing this independently are felt to be even stronger than in 2017. Supporting the sector-led body also offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long-term. It is therefore proposed that the Council accepts Public Sector Audit Appointments' 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 2023. The deadline for submission of opt-in documents to PSAA is 11 March 2022, with a decision to participate required by a meeting of Full Council prior to that date.
- 3.7 Indications from Berkshire s151 Officers are that all their authorities plan to sign up to the PSAA process. Early discussions have also highlighted that there would be some advantages of having the same firm appointed to cover the Berkshire area, due to the links between authorities such as a shared Pension Fund. Currently reliance needs to be placed on the findings of different audit firms for such issues, which can cause complexity and delays in audit signing offs. Against this, resourcing the audit would potentially be difficult for a single firm, with all authorities facing the same certification deadline. Members are asked to endorse a continuation of discussions between Section 151 Officers and engagement with PSAA should this issue be felt worth pursuing.

## **4 FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 There are no direct financial consequences of this decision.

## **5 LEGAL IMPLICATIONS**

- 5.1 The recommended action complies with the requirements of the Local Audit and Accountability Act 2014.

## **6 RISK MANAGEMENT**

- 6.1 There are no implications in this report.

## **7 POTENTIAL IMPACTS**

- 7.1 Equalities. An Equality Impact Assessment is attached as Appendix 1. A screening assessment has been completed which indicates the proposal does not have any equality impacts.
- 7.2 Climate change/sustainability. There are no impacts as a consequence of the decision.
- 7.3 Data Protection/GDPR. No personal data has been processed.

## **8 CONSULTATION**

- 8.1 The Head of Paid Service, the Section 151 Officer, the Monitoring Officer and the Deputy Monitoring Officers have been consulted on the report.

## **9 TIMETABLE FOR IMPLEMENTATION**

- 9.1 2023/24 Accounts

## **10 APPENDICES**

- 10.1 Appendix 1 - EQIA

## **11 BACKGROUND DOCUMENTS**

- 11.1 None

## 12 CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	3/2/22	4/2/22
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	3/2/22	3/2/22
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	3/2/22	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	3/2/22	7/2/22
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Duncan Sharkey	Chief Executive	3/2/22	3/2/22
<i>External (where relevant)</i>			
<i>N/A</i>			

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Finance and Ascot	Yes
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## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Audit and Governance Committee recommendation to full Council	No	No

Report Author:  
Andrew Vallance, Head of Finance andrew.vallance@rbwm.gov.uk

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

### Essential information

Items to be assessed: (please mark 'x')

Strategy		Plan		Project	x	Service procedure	x
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Responsible officer	Andrew Valance	Service area	Finance	Directorate	Resources
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Stage 1: EqIA Screening (mandatory)	Date created: 09/02/2022	Stage 2 : Full assessment (if applicable)	Date created : NA
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Approved by Head of Service / Overseeing group/body / Project Sponsor:

*"I am satisfied that an equality impact has been undertaken adequately."*

Signed by (print): Andrew Valance

Dated: 09/02/2022

### Guidance notes

**What is an EqIA and why do we need to do it?**

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

### EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqIA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

#### **What are the “protected characteristics” under the law?**

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

#### **What's the process for conducting an EqIA?**

The process for conducting an EqIA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

#### **Openness and transparency**

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

#### **Enforcement**

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

### **Stage 1 : Screening (Mandatory)**

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

### 1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

*The report recommends arrangements for the appointment of local external auditors under the Local Audit and Accountability Act 2014 for the financial years 2023/24 to 2027/28.*

RECOMMENDATION: That Audit and Governance Committee notes the report and:

RECOMMENDS to Council at its meeting on 24th February 2021 that RBWM remains part of the Public Sector Auditor Appointments (PSAA) collective procurement arrangement to appoint an External Auditor from the 2023/24 financial year on the grounds that this approach is most likely to achieve best value in a restricted market and avoids the need and cost of the Council itself undertaking a complex and time-consuming procurement process.

#### REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

To ensure that arrangements are agreed for procuring local external auditors in time for the 2023/24 accounting year.

**1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.**



# EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age	Not Relevant			
Disability	Not Relevant			
Gender re-assignment	Not Relevant			
Marriage/civil partnership	Not Relevant			
Pregnancy and maternity	Not Relevant			
Race	Not Relevant			
Religion and belief	Not Relevant			
Sex	Not Relevant			
Sexual orientation	Not Relevant			

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

### Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	Not at this stage		
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	Not at this stage		

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

### Stage 2 : Full assessment

#### 2.1 : Scope and define

**2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.**

**2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.**

#### 2.2 : Information gathering/evidence

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

**2.2.1 What secondary data have you used in this assessment?** *Common sources of secondary data include: censuses, organisational records.*

**2.2.2 What primary data have you used to inform this assessment?** *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

Eliminate discrimination, harassment, victimisation

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

**Advance equality of opportunity**

# **EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors**

<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

## EQUALITY IMPACT ASSESSMENT (EqIA) : Appointment of Local External Auditors

### Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

### 2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.

*These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*