

## **NORTH LINCOLNSHIRE COUNCIL**

### **AUDIT COMMITTEE**

## **EXTERNAL AUDIT PROCUREMENT PROCESS**

### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 The report sets out the process for the external audit procurement process and the options available to the Council.
- 1.2 The Council will be required to reprocure an external audit provider at the end of the current 5-year contract on 31 March 2023. There are various options open to the Council.
- 1.3 The recommended option is for the Council to continue to opt into the arrangements allowing Public Sector Audit Appointments Ltd (PSAA) to appoint the Council's external auditor on its behalf, and the Committee is requested to recommend this option to Full Council.

### **2. BACKGROUND INFORMATION**

- 2.1 The Local Audit and Accountability Act 2014 established arrangements for the appointment of external auditors and the setting of audit fees for all local government bodies in England. In relation to appointing external auditors, local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national approved collective scheme where contracts are negotiated with audit firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- 2.2 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. In 2017 the Committee approved the Council opting into the scheme, and consequently Mazars was appointed as its external auditor.
- 2.3 Prior to the end of the current contract on 31 March 2023 the Council will need to reprocure external audit services. The Regulations require the appointing person to set the duration of each appointing period; the maximum duration is five years.

The Council has until December 2022 to make an external audit appointment. In practical terms this means a decision by spring 2022 in order that the contract negotiation process can be carried out during 2022. However, the Council is required to indicate whether it wishes to continue with the PSAA Framework arrangement, by 11 March 2022.

### 3. **OPTIONS FOR CONSIDERATION**

3.1 There are three options available to the Council:

Option 1: To continue with the PSAA framework

Option 2: Stand-alone appointment

Option 3: Set up a Joint Auditor Panel/local joint procurement arrangements

### 4. **ANALYSIS OF OPTIONS**

#### 4.1 **Option 1:**

4.1.1 The Council has benefitted from economies of scale achieved as part of the national procurement process that led to the appointment of our current external auditor. In 2018 over 96% of Councils opted into the PSAA framework to obtain these economies of scale. Entering into a large-scale collective procurement arrangement also removes the costs of establishing an auditor panel.

4.1.2 There are ongoing national issues with delays in audits and many uncompleted by the deadlines, including the council's audit for 2020/21. Nevertheless, it is a suppliers' market and being part of a national arrangement gives the best opportunity for influencing the market, a view supported by the LGA.

4.2 **Option 2:** In order to make a stand-alone appointment the Council would need to establish an Auditor Panel. The members of the panel would need to be mainly independent members as defined by the Act. This means that elected members would not have a majority input to assessing bids and choosing which organisation to award a contract for the Council's external audit. Recruitment and servicing of the Auditor Panel, running the tendering exercise and negotiating the contract will incur costs plus on-going expenses and allowances. Furthermore, the Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

4.3 **Option 3:** The Act enables the Council to join with other authorities to establish a joint auditor panel. This would also require to be constituted of wholly or a majority of independent appointees.

The costs of setting up the panel, running the tendering exercise and negotiating the contract would be shared across a number of authorities. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms. However, these economies are anticipated to be less than those derived from the national framework and there is no indication of neighbouring Councils wishing to set up such a panel.

**5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

5.1 The chosen methodology for making the external auditor appointment will potentially impact on the associated costs related to making the appointment and the subsequent audit fees. As laid out on in Section 4 Option 1 is recommended to contain costs.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 There are no specific risks to the Council.

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 An Integrated Impact Assessment is not required for this report.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 There are no identified conflicts related to this report.

**9. RECOMMENDATIONS**

9.1 That Audit Committee supports the Council continuing to adopt into the PSAA framework and recommends that Full Council endorses this option.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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**Background Papers used in the preparation of this report –**

## PSAA invitation



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