

Appendix A

Available Options for Local Appointment of External Auditors from 2023/24

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
Description	<p>To make a stand-alone appointment, the Council will need to set up an Auditor Panel. The members of the panel must be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.</p>	<p>The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.</p>	<p>PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. PSAA is currently responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts entered into with the audit firms. PSAA would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.</p>

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
Advantages/benefit	<ul style="list-style-type: none"> Setting up an auditor panel allows the Council to take maximum advantage of the local appointment regime and have local input to the decision. 	<ul style="list-style-type: none"> The costs of setting up the panel, running the bidding exercise and negotiating the contract will 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. 	<ul style="list-style-type: none"> PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together. PSAA will monitor contract delivery and ensure compliance with contractual requirements, audit quality and independence requirements. Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon. It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition. The overall procurement costs would be expected to be lower

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
			<p>than an individual smaller scale local procurement.</p> <ul style="list-style-type: none"> • The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector. • There will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel'; and • A sustainable market for audit provision in the sector will be easier to ensure for the future.
Disadvantages/risks	<ul style="list-style-type: none"> • Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £25,000 plus on-going expenses and allowances. • The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts. 	<ul style="list-style-type: none"> • The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved. • The choice of auditor could be complicated where individual 	<ul style="list-style-type: none"> • Individual elected members will have less opportunity for direct involvement in the appointment process other than through the Local Government Association (LGA) and/or stakeholder representative groups. • In order for the PSAA to be viable and to be placed in the strongest possible negotiating position, PSAA will need Councils to

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
	<ul style="list-style-type: none"> The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members. 	<p>Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards.</p> <ul style="list-style-type: none"> There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement. 	<p>indicate their intention to opt-in before final contract prices are known.</p>