



Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

Update on the PSAA – External Audit Appointment Process

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
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Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – 10 January 2023	

1.0 Recommendations for decision/noting:

It is recommended that members of the Audit Committee

- 1.1 Note the contents of this report and recommend the appointment of KPMG as the Councils External Auditors.

2.0 Purpose of Report

- 2.1 The purpose of this report is to update the Audit Committee on the PSAA process the appointment of External Audit.

3.0 Background

3.1 At the Audit Committee meeting dated 28 September 2021 members agreed that:

- The Council uses the national Sector Led Body (SLB) appointed by the Government – Public Sector Audit Appointments Ltd, to undertake the procurement of External Auditors
- The CFO (or their delegated officer) takes appropriate actions following the Council decision to opt into the PSAA procurement process and engages with the PSAA to inform their specifications and proposed supplier

3.2 On the 26 November 2021, the Director: Finance & HR received confirmation from the PSAA that Telford & Wrekin Council had opted in the the appointing person arrangements from April 2023 operated by PSAA.

3.3 The PSAA have recently communicated that:

- The PSAA current procurement of local audit services is about to enter a concluding stage
- The initial process has secured 96.5% of the capacity required to enable auditor appointments to al lthe bodies that have opted into the PSAA national scheme
- A supplementary procurement has been launched on 25 August 2022 with a closing date of 13 September 2022

3.4 On 22 November 2022, the PSAA sent a consultation to the Council on their appointment proposal. The PSAA propose that KPMG are appointed as the auditor for the Council for 5 years from 2023/24.

3.5 Following a statutory consultation process auditor appointments for opted-in bodies were completed by 31 December 2022 for audit years from 2023/24.

4.0 Summary of main proposals

4.1 Audit Committee is asked to note the contents of this report and recommend the appointment of KPMG as the Councils External Auditors.

5.0 Alternative Options

5.1 It is a legal requirement for the Council to appoint an external auditor. The report sets out the basis upon which the PSAA appointment process has been followed and how KPMG have been identified as the preferred supplier.

5.2 Committee could decide not to make a recommendation for the appointment of KPMG, however to do so given the procurement exercise and the Committee's previous decisions would not be advisable and may run the risk of legal challenge.

6.0 Key Risks

- 6.1 A change of supplier may require additional resources during the handover period, however KPMG have previously been our external auditor and therefore risks should be minimal. Risks will be appropriately managed to ensure the handover period is effectively managed.

7.0 Council Priorities

- 7.1 The report and its recommendations will ensure a community-focussed, innovative council providing efficient, effective and quality services.

8.0 Financial Implications

- 8.1 It is very likely that the Sector Led Body option resulted in a lower fee than could have been negotiated by an individual authority locally, through economies of scale from the large-scale contracts negotiated by PSAA Ltd. However, to meet the requirements of the audit regime applicable to local authorities in future, the level of fee will increase significantly. An allowance has been built into the Council's Medium Term Financial Strategy to cover this increase.

9.0 Legal and HR Implications

- 9.1 Section 7 of the Local Audit and Accountability Act 2014 ("the Act") requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 9.2 Section 12 of the Act makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 9.3 Members will not that section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power was exercised in the Local Audit (Appointing Person) Regulations 2015/192 ("the Regulations") and this gave the Secretary of State the ability to enable a Sector Led Body to become the appointing person. Effectively this means that the Council asked the 'appointed person' (sector led body) to undertake the local auditor selection process on its behalf and make recommendations back to the council for approval.
- 9.4 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, sets out that a principal authority will need to make the decision to opt into the PSAA at a full council meeting.

10.0 Ward Implications

- 10.1 The work of the Internal Audit team encompasses all the Council's activities across the Borough and therefore it operates across all Council Wards.

11.0 Health, Social and Economic Implications

11.1 There are no health, social or economic implications directly arising from this report.

12.0 Equality and Diversity Implications

12.1 The procurement for the External Assessment will follow proper practices in respect to procurement and equalities and the chosen supplier will have to demonstrate a commitment to equality and diversity in the way it provides its services.

13.0 Climate Change and Environmental Implications

13.1 There are no climate change and environmental implications directly arising from this report.

14.0 Background Papers

Audit Committee update on appointment process 23 November 2022.

28 September 2021 Audit Committee approval to use PSAA Ltd to undertake procurement exercise
None.

15.0 Appendices

None.

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	06/12/2022	06/12/2022	KC
Legal	21/12/2022	03/01/2023	RP