



Northumberland

County Council

COUNTY COUNCIL

5 January 2022

Arrangements for the Appointment of the Local Auditor (External Auditor)

Report of Jan Willis, Interim Executive Director of Finance & Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

1. Purpose of the Report

1.1 To seek Council approval to opt-in to the Public Sector Audit Appointments (PSAA) Limited arrangements from 1 April 2023 for the five financial years commencing 2023-24 to 2027-28.

2. Recommendations

2.1 Members are requested to:

- a. agree to accept the invitation to become an opted-in authority to the national scheme for the appointment of local auditors, which is managed by Public Sector Audit Appointments (PSAA) Ltd; and,
- b. agree that the Section 151 Officer (or Deputy Section 151 Officer) completes the required paperwork in order to make the necessary arrangements.

2.2 note that the length of the compulsory appointing period covers the audits of the five consecutive financial years commencing 1 April 2023 (2023-24 to 2027-28).

3. Link to Corporate Plan

3.1 This report is relevant to the 'being efficient, open and work for everyone' priority in the Corporate Plan 2018-2021 "A Council that Works for Everyone".

4. Key Issues

4.1 The Council's Local Auditor, Mazars, was appointed by Public Sector Audit Appointments (PSAA) Limited on 22 January 2020. The term of the appointment covered the period 1 April 2019 to 31 March 2023. That is that Mazars would audit the accounts of the Council for financial years 2019-20 to 2022-23.

- 4.2 It is worth noting that the appointment of Mazars to Northumberland County Council is a statutory appointment so there is no contract between the Council and Mazars. The contract is between Mazars and the PSAA.
- 4.3 Although the arrangements expire sometime in the future the process for the appointment of a local auditor beyond 2022-23 needs to commence imminently.
- 4.4 The Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023.
- 4.5 On 22 September 2021 the Council's Chief Executive and Interim Section 151 Officer received correspondence from PSAA inviting Northumberland County Council to become an opted-in authority in accordance with the Regulations.
- 4.6 A decision to become an opted-in authority must be taken in accordance with Regulation 19, that is by the members of an authority meeting as a whole, which for Northumberland County Council means Full Council.
- 4.7 The closing date to give notice to PSAA of the authority's acceptance of the invitation is Friday 11 March 2022.

5. Background

- 5.1 The Local Audit & Accountability Act 2014 dissolved the Audit Commission and introduced a requirement for local authorities to appoint their own external auditor (or 'local auditor' as they are referred in the Act).
- 5.2 For principal local authorities like Northumberland, the new Local Audit Framework became effective from 1 April 2018.
- 5.3 The Council has two choices, regarding the Local Auditor appointment process:
 - a. Directly appoint its own Local Auditor; or,
 - b. Use a sector led body, the Local Government Association (LGA) to make the appointment. The LGA has created a company; Public Sector Audit Appointments (PSAA) Limited which was approved by the Secretary of State for Housing, Communities and Local Government as an 'approved appointing body' for councils to use in procuring a local auditor.
- 5.4 During 2017 the Council went down the route of option a) above in collaboration with Newcastle and North Tyneside councils and directly appointed Ernst Young as its Local Auditor.
- 5.5 Following the resignation of Ernst Young in November 2019 the Council then opted to seek the appointment of a replacement Local Auditor through the PSAA and Mazars was appointed.
- 5.6 As well as ensuring that local audit arrangements for the County Council reflect those of the vast majority of other local authorities in the country, this

approach also ensures independence in the appointment of the Local Auditor as the County Council will take no part in the appointment process. It should also deliver better value for money to the Council on local audit fees and will reduce administrative time and costs for the County Council as the Council will not have to undertake and manage its own procurement process and ongoing contract management arrangements.

6. Conclusion

- 6.1 Based on this, the Interim Executive Director of Finance and Section 151 Officer's view is that the Council should opt into the national scheme for the appointment of local auditors, which is managed by Public Sector Audit Appointments (PSAA) Ltd.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	None.
Finance and value for money:	The PSAA sets the scale charge fee for the audit of the accounts. Any variation to the fee must be agreed by the PSAA in the first instance. The Council has always been required to budget for the audit fee and will ensure that any change to the scale fee is reflected in the budget and Medium-Term Financial Plan.
Human Resources:	None.
Legal:	The legal implications of the requirements of the Local Audit and Accountability Act 2014 are set out in the report. The procurement and appointment of a local auditor by the PSAA will ensure that the Authority secures compliance with the legal requirements of the Act.
Procurement:	The PSAA procures the local auditor on behalf of the Council.
Property:	None.
Equalities:	None.
Risk Assessment:	No specific risks have been identified with the proposal to continue with the PSAA scheme for the appointment of a local auditor.
Crime & Disorder:	None.
Customer Considerations:	None.
Carbon Reduction:	None.
Consultation:	None.
Wards:	All.

Background Papers:

The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations)

Report sign off:

Authors must ensure that officers and members have agreed the content of the report:

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Deputy Monitoring Officer/Legal	Helen Lancaster
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