

Report To:	AUDIT PANEL
Date:	1 August 2023
Executive Member / Reporting Officer:	Cllr Jacqueline North –First Deputy (Finance, Resources & Transformation) Ashley Hughes – Director of Resources
Subject:	EXTERNAL AUDITOR APPOINTMENT
Report Summary:	This report updates the Committee on the outcome from the decision taken by Council in December 2022 to participate in the Public Sector Audit Appointments tender exercise for external audit services. The purpose of this tender was to appoint Tameside Council's external auditors for period from 2023/24 until 2027/28.
Recommendations:	Members are recommended to: Approve the appointment of Mazars as the Council's external auditors for the period 2023/24 to 2027/28 and recommends the decision to Council for formal approval as per the constitution.
Policy Implications:	By regulation, the Council's statement of accounts are required to be audited, for each financial year.
Financial Implications:	As contained within the report.
(Authorised by the Section 151 Officer & Chief Finance Officer)	
Legal Implications:	Section 7 of the Local Audit and Accountability Act 2014 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.
(Authorised by the Borough Solicitor)	Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 12 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. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
Risk Management:	Associated details are specified within the presentation. Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in

future years to recover the budget position.

Background Papers:

Background papers relating to this report can be inspected by contacting: James Hopwood, Finance Business Partner – Corporate Services



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1 SUMMARY

- 1.1 Following agreement from Council on the 7 December 2022, Tameside Council chose to participate in the national auditor appointment arrangements established by the Public Sector Audit Appointments (PSAA) for the period covering the accounts 2023/24 to 2027/28.
- 1.2 The tender process was led through the PSAA over the period of October to December 2022, following the award of contracts to audit firms in August and September 2022. This process ensured that each firm appointed met the criteria determined by legislation as evaluated by the Institute of Chartered Accountants in England and Wales (ICAEW), and then a competitive tender processed was followed.

2 BACKGROUND

- 2.1 The Local Audit and Accountability Act 2014 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year”.
- 2.2 Authorities have three options to fulfil this duty:
 - Stand-alone procurement
 - Joint local procurement arrangements
 - Opt in to a sector led body, appointed by the Secretary of State under the Act – Public Sector Audit Appointments (PSAA) Limited
- 2.3 Tameside Council opted into the national auditor appointment arrangements established by the Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23 and had Mazars as the appointed Auditor.
- 2.4 Following agreement from Council on the 7 December 2022, Tameside Council chose once more to opt in to participate in these arrangements with the PSAA, for the period covering the accounts 2023/24 to 2028/29.
- 2.5 The PSAA has the responsibility to appoint external auditors to all relevant authorities and set the scale of the fees for the audit of these accounts, to ensure that public money continues to be properly accounted for and protected and currently has 457 organisations confirmed as having ‘opted in’.

3 CURRENT POSITION

- 3.1 The PSAA competitive tender process was undertaken in Q3 of 2022/23 and following the appointment of 6 firms, a portfolio of proposed appointments was compiled, giving due consideration to a list of key criteria amongst any other relevant factors, with the principal consideration being any threat to independence/conflict of interest between the supplier and audited body.
- 3.2 Consultation with audited bodies began on the 17 October, allowing 4 weeks for consultation, with the approval of proposed appointments confirmed at the PSAA Board meeting on the 16 December 2022.
- 3.3 This process concluded that for Tameside Council for the period of 2023/24 to 2027/28, the allocated auditors will be **Mazars**, who are the Council’s current External Auditors. This continuity of audit firm will support the Council as it develops and strengthens processes around financial accounting.
- 3.4 This decision must be taken by Council as prescribed within the Council’s constitution and

as such a report will be presented to Council to ratify, following Audit Panel review.

4 FINANCIAL IMPLICATIONS

- 4.1 The fees for external audit are determined each year and are split into a set fee for the core audit work, with fee variations potentially required for a variety of reasons, such as changes in the audit requirements, technical accounting issues, working papers being of a poorer quality than the previous year and increased regulator challenge on audit quality resulting in the need for additional work to provide greater assurance on areas such as property, plant and equipment valuations and pension valuations.
- 4.2 The set fee for the core audit in 2022/23 was £0.096m, with additional requirements totalling £0.060m.
- 4.3 Budget of £0.127m is set aside within the base position to cover the costs of external audit provision, including the costs of audits for Housing Benefit and Teachers Pensions totalling £0.025m, leaving £0.102m for the costs of the core audit set fee. The potential cost requirement for the 2023/24 audit will be considered within the MTFS 2024/25 to ensure sufficient budget is available to meet the requirements of the external audit process.
- 4.4 The PSAA consult each year on the scale of fees chargeable within the opted in arrangements. The fees for the audit of current year activity must be published by the 30th November each year and cannot be amended following that date. Any subsequent changes in national requirements or local circumstances following this will be the subject of a formal process of fee variation. Latest PSAA information has indicated that nationally, external audit fees are currently running with increases of 150% on top of the set fees. This will be kept under close monitoring to determine the impact on Tameside.

5 RECOMMENDATIONS

- 5.1 As set out on the front of the report.