



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee

30 November 2022

Wards affected:

All wards

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### NEW EXTERNAL AUDIT APPOINTMENT FROM 2023/24 to 2027/28

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Report of Head of Finance (Section 151 Officer)

#### **1. Purpose of report**

- 1.1 To notify Audit Committee members of the outcome of the External Audit appointment arrangements completed by Public Sector Audit Appointments (PSAA) on our behalf for the period spanning the audits from 2023/24 to 2027/28.

#### **2. Recommendation**

- 2.1 The report is noted

#### **3. Background to the report**

- 3.1 Public Sector Audit Appointments Ltd (PSAA) is responsible for the procurement of audit services for 470 local government, police, and fire bodies (99% of eligible local authority bodies) that have opted into its national scheme for the next appointing period spanning the audits from 2023/24 to 2027/28. HBBC is one of those opted in members.
- 3.2 PSAA is specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation three of the Local Audit (Appointing Person) Regulations 2015. PSAA appoints an auditor to relevant principal local government authorities that have opted into its national scheme. Appointments are made for the duration of a five-year appointing period. The current appointing period ends in 2022/23, the next appointing period will be for the audits from 2023/24 to 2027/28.
- 3.3 PSAA note that the procurement has taken place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit

system that is facing unprecedented difficulties including large volumes of delayed audit opinions. Only ten audit suppliers are currently registered to undertake local authority audits in England, three of which opted not to take part in this procurement round, leaving six firms available to complete public sector audits. These firms are noted below with their share of the new appointments market

<b>Share of PSAA's work</b>	
<b>Grant Thornton</b>	36.0%
<b>Mazars</b>	22.5%
<b>Ernst &amp; Young</b>	20.0%
<b>KPMG</b>	14.0%
<b>Bishop Fleming</b>	3.75%
<b>Azets Audit Services</b>	3.25%

- 3.4 Azets Audit Services (Azets) have been appointed to the Council as the External Auditors from 2023/24 to 2027/28. Azets is a UK top ten audit, accounting, and business advisory firm. The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission. While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands, and London.

### **Audit Fees**

- 3.5 PSAA sets the fee scale annually and publishes the scale fee for each individual audited body. The current Scale fee for the Council is £38,046 for the 2021/22 financial year, although due to the fee variation process whereby additional work can be charged for, the actual fees have been on average around £50,000. This is likely to increase for the 2022/23 year following consultation and is expected to increase. This is because of
- a) Auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These events led the government to commission a series of reviews focusing on audit regulation, the audit market, audit quality and effectiveness, and more specifically the framework for local audit and financial reporting.
  - b) The Department for Levelling Up Housing and Communities (DLUHC) has announced a range of measures to address the challenges identified in relation to the local audit framework. These measures include arrangements for a 'system leader,' a role which is to be located within a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established. In preparation, the Financial Reporting Council (FRC) will implement shadow arrangements and has appointed the first Director of Local Audit, who will take up a post leading a dedicated local audit unit in September 2022.

c) Therefore, the fee review is taking place in the context of the significant tensions and pressures in the wider audit market and profession, and of evolving arrangements in the local audit system. The issues highlighted in 2020 in the Redmond review of local audit and financial reporting continue to have a significant impact on audit delivery and have led to increasing delays for auditors in completing some audits.

3.5 The 2022/23 audit year is the last in the current five-year appointing period, which covers the audits of the accounts of relevant authorities for 2018/19 to 2022/23.

3.6 The proposed fees for the audit of 2023/24 accounts have not yet been set but are expected at the end of November. Audited bodies should anticipate a major re-set of fees involving an increase of approximately 150% of total audit fees (scale fees plus fee variations), noting that the actual fees will depend on the amount of work required. Therefore, the example given by PSAA is that if the 2022/23 total audit fees are expected to be £100,000, your 2023/24 total audit fee is likely to be approximately £250,000.

3.7 For HBBC this will mean the fee will increase significantly for the next appointing period spanning the audits from 2023/24 to 2027/28. The table below gives an expected range possible fees depending on the fee charged for 2022/23.

Potential 2022/23 fee	New 2023/24 to 2027/28 fee
£38,046	£95,115.0
£45,000	£112,500.0
£50,000	£125,000.0
£55,000	£137,500.0
£60,000	£150,000.0
£65,000	£162,500.0
£70,000	£175,000.0

#### 4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report is taken in an open session.

#### 5. Financial implications [IB]

5.1 Contained within the body of the report.

#### 6. Legal implications [MR]

6.1 The legal implications are contained within the report

## **7. Corporate Plan implications**

- 7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

## **8. Consultation**

- 8.1 None

## **9. Risk implications**

- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 There is no immediate risk to the Council.

## **10. Knowing your community – equality and rural implications**

- 10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

## **11. Climate implications**

- 11.1 None directly from this report, however, additional pressure on the general fund will mean less funding is available for green projects.

## **12. Corporate implications**

- 12.1 By submitting this report, the report author has taken the following into account:
- Community safety implications
  - Environmental implications
  - ICT implications
  - Asset management implications
  - Procurement implications
  - Human resources implications
  - Planning implications
  - Data protection implications
  - Voluntary sector

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Background papers:	None
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