

**Report Title; External Audit Arrangements
Submitted by; Debra Townsend (Town Clerk)**

1. Approval

Report for recommendation to Council for approval.

2. Background Information

The next 5-year appointing period runs from 2022-23 until 2026-27 and Smaller Authorities Audit Appointments (SAAA) has undertaken a procurement exercise to appoint auditors to each County area from 1 April 2022. Now that the submission deadline for the 2021-22 Annual Governance and Accountability Returns has passed, the Town Council has been advised of the option to opt-out of the next round of 5-year audit appointments.

All authorities require an appointed external auditor.

During the previous 5-year period **all** smaller authorities were 'opted-in' to the central procurement regime managed by SAAA - no authority decided to 'opt-out' and follow the various complex procedures required under statute to appoint their own external auditor.

If we wish to continue as part of the SAAA sector led auditor appointment regime then no action is required, you will remain part of central scheme.

However, all authorities must be given the option to opt-out of the central procurement and appointment scheme and appoint their own external auditor for the next 5-year period, although the process is onerous for smaller authorities.

Whilst all smaller authorities are opted into the central procurement of external auditors by default, any authorities who do not wish to be part of the SAAA arrangements must formally notify SAAA that they wish to opt out within **8 weeks** of this communication but no later than **28 October 2022**.

Opting out is a significant decision which requires careful consideration; to assist authorities considering opting out further guidance has been developed to clarify what opting out means in practice. This detailed information can be found at www.saaa.co.uk

An authority that wishes to opt out must formally reach and record that decision in a way that meets the requirements of its own governance framework, by convening a full council meeting or an extraordinary council meeting.

Key implications are:

- an opted-out authority regardless of size (including exempt authorities) **MUST** appoint an appropriate external auditor;
- the appointed auditor **must** be a registered auditor as defined by the Companies Act and a member of Institute of Chartered Accountants (England and Wales).
- an opted-out authority **must** convene an appropriate independent auditor panel which meets the requirements of the Local Audit and Accountability Act 2014 (LAAA). Detailed guidance on auditor panels is available in Schedule 4 of the LAAA Act and from CIPFA;

- an opted-out authority will need to develop its own specification for its external audit contract, will need to negotiate the price for this work on an individual basis and will need to manage the contract, including any disputes, and any independence issues that may arise;
- an opted-out authority must ensure full compliance with the relevant requirements of the Local Audit and Accountability Act and supporting Regulations;
- any opted-out authority that does not successfully appoint an appropriate external auditor in the correct manner and notify SAAA who their external auditor is by **30 November 2022** will have an external auditor appointed for it by the Secretary of State through SAAA. **This will result in additional costs of £300 which will have to be met by the authority.**

3. Accessibility Implications

None

4. Climate Emergency Implications

None

5. Financial Implications

Whilst the financial implications are currently unknown, it is considered unlikely that this will be a significant amount different to that which is currently charged by the SAAA appointed auditor (£1,300).

6. Recommendations

It is recommended that Council does nothing and remains part of the central scheme.

7. Reasons for Recommendations

In addition to there being no significant financial advantage, it is likely to be difficult to appoint an independent approved auditor with knowledge of the Local Government Sector.