

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**7 December 2021**

**Report of the Director of Finance & ICT**

**PSAA Update**

**1. Divisions Affected**

1.1 County-wide.

**2. Key Decision**

2.1 This is not a Key Decision.

**3. Purpose**

3.1 To provide Audit Committee with an update from a Public Sector Audit Appointments (PSAA) news release on 2020-21 audited accounts progress, issued on 12 October 2021, and a PSAA news bulletin, issued on 28 October 2021, which includes:

- the outcome of PSAA research to consider options for national audit fee variations;
- a formal invitation to become opted-in authorities for local auditor appointments for the audits of financial years 2023-24 through to 2027-28;
- details of an Autumn/Winter free webinar series for Audit Committee Chairs; and

- changes to the audit Appointing Person regulations.

#### **4. Information and Analysis**

##### **National 2020-21 Audited Accounts Progress**

- 4.1 Delayed audit opinions continue to be a major concern in the local audit system. The growing scale of the challenge is illustrated by the latest figures compiled by PSAA. As at the target post-audit accounts publishing date of 30 September 2021, only 9% of local government bodies' 2020-21 audits had been completed. The position compares to 45% for 2019-20 audits and 57% for 2018-19 audits, by the respective target dates of 30 November 2020 and 31 July 2019.
- 4.2 PSAA is very much aware of the challenges posed by Covid-19 and how they have contributed to this current position. However, a range of further pressures are also continuing to impact performance. There is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019-20 audits still incomplete.
- 4.3 PSAA is conscious of how these delays can have a real public-facing impact, potentially undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers.
- 4.4 The newly formed Local Audit Liaison Committee established by the Department for Levelling Up, Housing and Communities (DLUHC), of which PSAA is a member, has a vital role in helping to ensure co-ordinated action in response in overseeing the overall progress and performance of the local audit system. Other committee members include a range of local audit stakeholders including the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Institute of Chartered Accountants in England and Wales (ICAEW), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA).
- 4.5 The Local Audit Liaison Committee is currently working to develop a strategy to improve the timeliness of opinions within a more resilient, sustainable local audit system. PSAA has highlighted the need for a range of actions to tackle the identified issues that are essential to support this, and all stakeholders agreed to emphasise the importance of improving audit timeliness. The minutes of the 29 July 2021 Local

Audit Liaison Committee are publicly available [Local Audit Liaison Committee - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/organisations/local-audit-liaison-committee)

## **Outcome of National Fee Variations Research**

- 4.6 In response to feedback from opted-in bodies and auditors, in November 2020 PSAA consulted on a possible new approach for determining some fee variations. PSAA sought views on the desirability of reducing the volume of local audit fee variations and to explore if PSAA could determine some fees for additional work on a national basis, across all, or most, audits. The response to the consultation was positive.
- 4.7 PSAA then carried out research on the potential to determine standard fees to deal with key changes in audit requirements from 2020-21 audits onwards. These results have now been published and include the factors and minimum additional fee ranges associated with specific changes in requirements for 2020-21 audits, with the aim that this will help when bodies and auditors are discussing audit outcomes and associated additional fees.
- 4.8 The Council will have regard to this information when agreeing any audit fee variations in respect of the 2020-21 audit.

## **Formal Invitation Issued to Become Opted-in Authorities**

- 4.9 On 22 September 2021 PSAA formally invited all eligible bodies to opt-in to the national scheme for local auditor appointments for the audits of financial years 2023-24 through to 2027-28.
- 4.10 For the Council, the decision to become an opted-in authority must be taken by the members of the authority meeting as a whole (Full Council). The LGA has produced a specimen report that can be easily adapted to support the decision making process to opt in.
- 4.11 The closing date to notify PSAA of the Council's acceptance of the invitation is Friday 11 March 2022. The latest information on PSAA's preparations for this second appointing period is on [their website](#), along with [Frequently Asked Questions](#).
- 4.12 A separate report on 'Appointment of External Auditor' will be considered at this Audit Committee meeting, to provide Audit Committee with details of proposals to be put before Full Council to agree the process by which the Council will procure a new external auditor.

## **.Autumn/Winter Webinar Series**

- 4.13 PSAA has held the first webinars in its Autumn/Winter series on 'Understanding the new local audit system' and 'Understanding and managing auditor/auditee changes during the life cycle of an appointing period'. PSAA's Chair hosted the events, with short presentations followed by Question and Answer sessions. The webinar slides are available to view on the PSAA website. Further webinars are planned for 2021 and early 2022. These webinars are mainly aimed at S151 Officers and Audit Committee Chairs and are an opportunity to find out more about what PSAA does and current events.
- 4.14 Further webinars in the series, the slides for which should also be available to view after they are held, are:
- Understanding how the PSAA determines your audit fees and what might influence them over the next contract period (Wednesday 19 January 1-2pm).
  - Understanding the 2022 audit services procurement strategy (Wednesday 16 February 1-2pm).
  - Understanding PSAA contract management arrangements (Wednesday 16 March 1-2pm).
- 4.15 Audit Committee Members may register to attend by clicking on the individual webinar titles above, or sending their name and e-mail address, identifying Derbyshire County Council as their local authority, to ap2@psaa.co.uk. PSAA will then issue joining instructions.

## **Changes to Appointing Person Regulations**

- 4.16 Changes to the Appointing Person Regulations were laid before Parliament on 21 October 2021. These changes will provide PSAA (as the Appointing Person) greater flexibility. For example, PSAA now has until 30 November 2022 to set the scale fees for the 2022-23 audit year, rather than setting them by 31 March 2022. PSAA welcomes this change as it will be able to build in approved recurring fee variations to the scale fees, making them more accurate, and reducing the volume of fee variations.

## **5. Consultation**

- 5.1 No consultation is required.

## **6. Alternative Options Considered**

- 6.1 N/A – this report advises Audit Committee on updates from the Public Sector Audit Appointments (PSAA) Advisory Panel.

## **7. Implications**

- 7.1 No implications – for Audit Committee to note the report contents.

## **8. Background Papers**

- 8.1 Papers held electronically by Financial Strategy, Finance & ICT, Room 137, County Hall.

## **9. Appendices**

- 9.1 Appendix 1 – Relevant implications considered in the preparation of the report.

## **10. Recommendations**

That Audit Committee:

- 10.1 Notes this PSAA update in respect of national 2020-21 audited accounts progress, the outcome of PSAA research to consider options for national audit fee variations, a formal invitation to become opted-in authorities for local auditor appointments for the audits of financial years 2023-24 through to 2027-28, details of an Autumn/Winter free webinar series for Audit Committee Chairs and changes to the audit Appointing Person regulations.

## **11. Reasons for Recommendations**

- 11.1 It is prudent and responsible practice for Audit Committee to be kept informed of the current work of Public Sector Audit Appointments (PSAA).

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**This report has been approved by the following officers:**

**On behalf of:**

Director of Finance and ICT  
Director of Legal Services and Monitoring Officer

**Implications**

**Financial**

1.1 As outlined in the body of the report.

**Legal**

2.1 As outlined in the body of the report in paragraphs 4.10 and 4.16.

**Human Resources**

3.1 None.

**Information Technology**

4.1 None.

**Equalities Impact**

5.1 None.

**Corporate objectives and priorities for change**

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

**Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.