

COPYTHORNE PARISH COUNCIL MEETING – TUESDAY SEPTEMBER 27TH 2022

Item 14 – Recommendation to not take up Option to opt out of SAAA central external auditor appointment arrangements

BACKGROUND

Under the Local Audit (Smaller Authorities) Regulations 2015, the Smaller Authorities' Audit Appointments (SAAA) is responsible for appointing external auditors to all applicable opted-in smaller authorities, for setting the terms of appointment for limited assurance reviews and for managing the contracts with the appointed audit firms. Smaller authorities are those whose gross annual income or expenditure is less than £6.5 million.

All authorities require an appointed external auditor even if the authority meets the criteria to qualify for exemption, as a Certificate of Exemption is required to be submitted to the external auditor and the auditor must be in place in case of objections from local electors

CURRENT POSITION

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, we will remain part of central scheme.

The next 5-year appointing period runs from 2022-23 until 2026-27 and SAAA have completed the process of appointing external auditors to cover various parts of England.

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.

GUIDANCE

NALC strongly advises that we should continue as part of the SAAA sector-led auditor appointment regime.

HALC say that opting out and appointing our own external auditor is a significant decision and it is important the council understand the implications of doing this

RECOMMENDATION

Following the NALC guidance, it is my recommendation that we should continue to “opt in” to the SAAA process and use the External Auditor that they appoint for Hampshire. The cost for 2022/23 for a Council with Income or Expenditure between £25-50k will be £210 (ex VAT). The fee was £200 (ex VAT for 2021/22).

DAVID RIGBY

Clerk/RFO to Copythorne Parish Council

September 17th 2022

APPENDIX A – Content of letter from Smaller Authorities' Audit Appointments (SAAA)

Dear Clerk/RFO/Chairman

Under the Local Audit (Smaller Authorities) Regulations 2015, SAAA is responsible for appointing external auditors to all applicable opted-in smaller authorities, for setting the terms of appointment for limited assurance reviews and for managing the contracts with the appointed audit firms. Smaller authorities are those whose gross annual income or expenditure is less than £6.5 million.

The next 5-year appointing period runs from 2022-23 until 2026-27 and 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, this is to advise you of the option to optout of the next round of 5-year audit appointments.

All authorities require an appointed external auditor even if the authority meets the criteria to qualify for exemption, as a Certificate of Exemption is required to be submitted to the external auditor and the auditor must be in place in case of objections from local electors.

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 you 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.

This communication is to advise that 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; this decision must be communicated to SAAA via e mail to admin@saaa.co.uk.

If notification of your decision to opt out is not received within this 8-week period, then your authority will be regarded as opted-in for the next five-year period beginning on 1 April 2022 and ending on 31 March 2027.

Opting-out

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.

-END-

Smaller Authorities' Audit Appointments (SAAA)

SAAA is responsible for appointing external auditors to all applicable opted-in smaller authorities, setting the terms of appointment for limited assurance reviews, and managing the contracts with the selected auditor firms. The five-year appointing period runs from 2022/23 until 2026/27, and the SAAA has completed a procurement exercise to appoint auditors to each county area from 1 April 2022. Over the next few weeks, the SAAA is writing to councils to inform them of the option to opt-out of the subsequent five-year audit appointments. During the last five years, all smaller authorities opted-in to the central procurement regime managed by SAAA. No authorities decided to opt out and followed the various complex and expensive procedures required under statute to appoint their external auditor. All authorities require an appointed external auditor.

NALC strongly advises you to continue as part of the SAAA sector-led auditor appointment regime, in which case no action is necessary, and you will remain part of the central scheme.

-END-

APPENDIX C – E-Mail from HALC received August 28th 2022

Dear Clerks

We wanted to draw your attention to an important email that was sent out earlier this month to all smaller authorities (those whose gross annual income or expenditure is less than £6.5 million). This email would have been sent to you by the Smaller Authorities' Audit Appointments (SAAA).

We would urge you to read this email and action it and, if you have not received it, you can read the notification here: https://saaa.co.uk/comms/2022Opt-out_communication_.pdf
(Clerks Note – Link is to Appendix A in this report)

In brief, the SAAA is responsible for appointing external auditors to all smaller authorities and the next round of 5-year appointments is about to take place. All smaller authorities must have an external auditor even if they declare themselves exempt as the certificate of exemption must still be submitted.

If your council wish to remain as part of the SAAA sector led appointment scheme then no further action by the council is required but all councils must be given the opportunity to opt out and appoint their own external auditor. This must be done by 28th October at the latest. Opting out and appointing your own external auditor is a significant decision and it is important the council understand the implications of doing this. They should carefully read the implications and advice contained in the email/notice sent to them by the SAAA or go to the website here:
www.saaa.co.uk

All smaller authorities should now action this by adding it to a council meeting agenda in September or October (i.e. before the cut off date of 28th October) and record the council's response in the minutes.

Kind regards

Jane Ives
Member Services Manager
Hampshire Association of Local Councils