YORKSHIRE DALES NATIONAL PARK AUTHORITY **ITEM 12**

Committee: **AUDIT AND REVIEW**

Date: **18 April 2023**

Report: **APPOINTMENT OF THE EXTERNAL AUDITOR**

Purpose of report

1. To inform Members of the appointment of the Authority's External Auditor, and potential ramifications for future audits.

RECOMMENDATION

2. That Members note the report.

Strategic Planning Framework

3. Financial Regulation 17.1.1 sets out the requirements for the Authority to prepare accounts which are then audited and then published, accompanied by the external auditor's annual report.

Background

4. At the Authority meeting in December 2021, Members were given three options for procuring the next external audit contract. The decision was put before the full Authority (rather than this committee) because the third option was only available if the decision to do so was made by the members of an authority meeting as a whole (Local Audit and Accountability Act 2014, and Regulation 19 of the Local Audit [Appointing Person] Regulations 2015). The options were:
    a. Going it alone, which would require us to set up a separate Independent Auditor Appointment Panel and to run a full external procurement exercise;
    b. Opting in to Public Sector Audit Appointments Ltd (PSAA), designated by the Department for levelling up housing and communities (DLUHC), external audit procurement exercise;
    c. Joining with other local government bodies, to establish a joint Auditor Panel, with joint procurement arrangements.

5. Option 'b' was chosen by Members. The PSAA is responsible for:

- appointing auditors to local public bodies, including councils, police and crime commissioners, chief constables, fire and rescue authorities and other relevant principal local government bodies;
- setting scales of fees, and charging fees, for the audit of accounts of relevant bodies;
- overseeing the delivery by its appointed auditors of consistent, high-quality and effective external audit services to opted-in bodies; and
- ensuring effective management of contracts with audit firms for the delivery of external audit services to opted-in bodies.

6. PSAA has appointed Mazars as the Authority's external auditors for five years, the first year of audit being 2023/24. This contract for external audit services needs to be operative throughout the financial year on which the auditors will eventually be reporting (2023/24), to allow the auditors to discharge their responsibilities for oversight. They have a direct reporting line to Members, in case anything fundamental is going wrong during the year that they will subsequently be reporting on, and under the Public Interest Disclosure Act 1998, they are the 'prescribed person' to whom whistleblowing disclosures can be made.

7. The Authority's current external audit contract, with Ernst and Young LLP (EY), extends to the audit of the 2022/23 accounts, and they will be available until the conclusion of the annual audit for that year.

8. From an operational perspective, this is a helpful outcome. We fed back to the PSAA the difficulties and extra charges being levied on the Authority due to having separate auditors for the Authority and for the North Yorkshire Pension fund. Mazars has also been appointed to North Yorkshire County Council which should now avoid duplication of effort between two different audit firms.

9. Each time a new auditor is appointed, there is considerable work needed to provide introductory material, including documenting all of our systems in the particular format required by that auditor.

Latest position

10. As a result of the staffing issues EY is experiencing, the 2021/22 audit has still not started, and the deadline to publish final accounts (30th November 2022) has been missed. EY has indicated the audit will now (hopefully) start in August 2023.

11. If EY requires adjustment of any of the figures (due to new information because of the length of time that has passed between closing the accounts and starting the audit), this will affect the opening figures for the 2022/23 accounts. The draft 2022/23 accounts need to be finalised and published by 31 May 2023, which will be before the audit for the previous year takes place.

12. The 2022/23 Final Accounts deadline is September 2023. The audit for 2022/23 cannot take place before the conclusion of the 2021/22 audit so this deadline will also

be missed. We do find ourselves in a similar position to many other Authorities whose audits have also been delayed.

13. A concern is if EY do not complete the 2022/23 audit before the 31st March 2024, they will no longer be the appointed Auditors and the Authority will not be able to start the following year's audit with Mazars. These concerns have been raised with PSAA and they have assured us that the incoming auditors are aware of the delayed audits (indeed they may be behind themselves in other Authorities).

14. This situation is far from ideal and we have expressed our dissatisfaction both to EY and to PSAA. It seems that this is a national issue for auditing firms, struggling to recruit staff to Local Government auditing and also complete audits within the agreed contract price due to new auditing legislation. As a result, we are likely to see a significant increase in Auditing fees.

15. The Government is consulting on the structure of accounts for 2022/23, and there is new guidance on streamlining them, with less emphasis on labour intensive investigations in to Pension Funds and Fixed Assets. The new guidance will be followed during the completion of the draft accounts in May 2023. The Government hopes these measures will help to bring the closure of audits forward and clear the current backlog.

16. PSAA will be consulting on the scale of audit fees under the new contract in Autumn 2023. PSAA has indicated the fee will likely be an increase of 150% on the total fees for 2022/23 (estimated at approx. £18k). We have, therefore, budgeted for the cost of the 2023/24 audit to be around £45k. Needless to say, we will be arguing against this level of fee very strongly. The actual total fee will depend on the amount of work required to complete the audit.

17. Finally, as context on the audit fees, the fee was halved under the last 5 year contracting period from nearly £20k to £10k. Since then a number of labour-intensive burdens have been put on the auditors through new audit regulation. Local Government auditors' salaries have also became less attractive than the other side of the auditors' business; leading to the current shortage of public sector auditors and backlog of audits.

Michelle Clyde
Treasurer

21 April 2023