

**SHREWSBURY TOWN COUNCIL  
FINANCE & GENERAL PURPOSES COMMITTEE  
Monday 26<sup>th</sup> September 2022**

**Officer:** Andy Watkin – Head of Resources (RFO)

**External Auditor Opt-out Option 2022/23 – 2026/27**

***Purpose of Report***

- To update members on recent notification from Smaller Authorities Audit Appointments (SAAA) regards appointment of external auditor for the next 5 years from 2022/23 to 2026/27.

**Appointment of External Auditor**

- All authorities require an appointed external auditor even if the authority meets the criteria to qualify for an exemption which Shrewsbury Town Council does not. The auditor is in place in case of objections from local electors.
- The SAAA are in the process of going out to tender, appointing the audit firms and setting the fee level for the next 5 years
- We currently have PKF Littlejohn and pay £2,800 + VAT. The fee is likely to increase and there may be a change in auditor, they are all bundled up in regions and bid on by the large national firms.

**Option to Opt-out**

- There is the option to opt-out of the central procurement and appoint a different external auditor for the next 5 year period. Brief guidance is as follows:

**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](http://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.**
- During the past 5 year period no smaller authorities have opted out.
  - By default you are opted in unless SAAA notified of wish to opt out by 28<sup>th</sup> October and new auditor appointed by 30<sup>th</sup> November 2022

## Recommendations

- 1 No action taken and await for notification of appointed auditor. Fees kept low by collective procurement and very few firms available with expertise and experience to undertake the audit outside of the ones currently appointed by SAAA.