



**RYDE**  
TOWN COUNCIL

## RYDE TOWN COUNCIL OFFICER REPORT

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| <b>Committee:</b>       | Finance and Community Resources                                                   |
| <b>Date:</b>            | 17/10/2022                                                                        |
| <b>Title of Report:</b> | EXTERNAL AUDITOR OPT IN/OUT                                                       |
| <b>Context:</b>         | To decide whether to opt in or out of the SAAA procurement of an external auditor |
| <b>Report Author:</b>   | Tara Bloomfield                                                                   |
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## **1. SUMMARY**

The council are required to decide on whether to opt in or out of the SAAA's procurement process of selecting an external auditor for the next 5 years.

## **2. BACKGROUND INFORMATION**

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.

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

## **3. FINANCIAL IMPLICATIONS**

Opting out could cause us to lose access to the rates offered to SAAA and face increased costs.

## **4. OPTIONS**

1. Opting Out - Opting out is a significant decision which requires careful consideration, 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;

- 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.

2. Opting In – SAAA will continue to appoint an external auditor and meet all legal requirements

## **5. RECOMMENDATIONS**

It is my recommendation that we continue to Opt-In to the SAAA procurement process.