

# Stratfield Mortimer Parish Council

## Finance and General Purposes 30/08/2022

### External Auditor

**Agenda item 22/032 4: To consider the arrangements for the external auditor for 2022-23 to 2026-27 and resolve to recommend to Full Council that SMPC opts-in to the SAAA appointed auditor.**

#### **BACKGROUND**

All authorities must appoint an external auditor for undertaking the limited assurance review. 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 i.e. those whose gross annual income or expenditure is less than £6.5 million, authorities.

The SAAA appoints an external auditor for 5 years and the next 5-year appointing period runs from 2022-23 until 2026-27. SAAA has undertaken a procurement exercise accordingly to appoint external auditors from 1 April 2022.

All authorities must be given the option to opt-out of the central procurement and appointment scheme and may appoint their own external auditor for the next 5-year period.

By default, all smaller authorities are opted into the central procurement of external auditors but any who do not wish to be part of the SAAA arrangements must formally notify SAAA that they wish to opt out by 28 October 2022.

Previously SMPC has opted into the SAAA external auditor arrangements, and it is the recommendation that this continues to be the case.

Implications of choosing to opt out, as provided by the SAAA, are 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.***

LH 22/08/2022