

Report of	Meeting	Date
Director of Governance and Monitoring Officer	Governance Committee	Tuesday, 30 November 2021

Appointment of External Auditors

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. The purpose of this report is to set out the options available to the Council for the appointment of an external auditor for the period 2023/24 to 2027/28.

Recommendations to Governance Committee

2. The committee is asked to recommend to Council to opt into the Public Sector Audit Appointments national scheme for the appointment of the external auditor.

Corporate priorities

3. The report relates to the following corporate priorities: (please bold all those applicable):

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background and Future Arrangements

4. A relevant authority must appoint an external auditor to audit its accounts. The Council can either appoint its external auditor directly or an “appointing person” can make the appointment on the Council’s behalf. The only “appointing person” is the Public Sector Audit Appointments Limited (PSAA) who are a not for profit organisation.

5. Following the abolition of the Audit Commission, the Council took advantage of the national collective scheme administered by the PSAA for the appointment of its external auditors for the five years commencing 1st April 2018.
6. The second appointing period is to span the five consecutive financial years commencing 1 April 2023 and cover the audit of account for the financial years 2023/24 to 2027/28.
7. The Council is required to appoint an external auditor by 31 December 2022 to commence 1 April 2023. There are three options available for appointing its external auditor:

Option 1

Establish its own independent auditor panel under part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014. The panel must be made up of a majority, or of wholly independent members and must be chaired by an independent member. It would therefore be necessary to undertake a selection process to appoint the panel, whose members may be remunerated. The panel's role would be to advise the council on the selection of its external auditor and therefore to oversee a procurement process.

Option 2

Establish a joint independent auditor panel to carry out the function on behalf of two or more councils which would therefore have to agree on the selection criteria firstly for the panel's members and then for the external auditor, and then oversee a procurement process.

Option 3

Opt into PSAA's sector led national scheme. Legislation requires a resolution of Full Council if a local authority wishes to opt into the new national arrangement. No significant further action would then be required by the Council.

8. On 22 September 2021 PSAA invited all principal local government bodies to become opted-in authorities. Eligible bodies have until 11 March 2022 to formally respond and accept the opt-in invitation.
9. The national scheme is considered to represent the best option as the Council will benefit from PSAA's experience of working within the context of the Regulations to appoint auditors, manage contracts with audit firms, setting and determining audit fees. It avoids the necessity to establish an independent auditor panel and undertake a procurement exercise and assures the independence of the auditor's appointment for the council.

Comments of the Statutory Finance Officer

10. Efficiencies and economies of scale should be obtained by opting-in to the procurement exercise to be undertaken by PSAA, who will do so on behalf of many councils across the country, rather than trying to procure in isolation, or with another/several other council(s).
11. There are only a limited number of external audit firms who have the capacity and specialist teams to undertake local authority audits and therefore there is a risk that in

trying to procure in isolation/in a small group, we may get a low level of interest, and/or higher cost, as the external audit firms would be likely to focus their efforts in securing a larger contract through the PSAA procurement exercise.

Comments of the Monitoring Officer

12. The report clearly sets out what the options are. If Governance Committee is minded to opt for the national scheme referred to then a decision of Full Council will be required.

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Shared Service Lead- Audit & Risk)	dawn.highton@southribble.gov.uk	01772 625625	16/11/21