

Report of	Meeting	Date
Director of Governance	Governance Committee	Wednesday, 24 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:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

### Background and future arrangements

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.

4. 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 1<sup>st</sup> April 2018.
5. 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.
6. 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.

7. 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.
8. 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.

## **Climate change and air quality**

9. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

**Equality and diversity**

10. This material presented and discussed in this report has no direct implications on equality or diversity

**Risk**

11. A relevant authority must appoint an external auditor to audit its accounts.

**Comments of the Statutory Finance Officer**

12. The appointment of an external auditor via the Public Sector Audit Appointments national scheme is consistent with current practice.

**Comments of the Monitoring Officer**

13. The recommendation will demonstrate best value in the appointment of external audit.

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