

Report of	Meeting	Date
Director of Governance (Introduced by the Executive Member for Resources)	Council	Tuesday, 25 January 2022

## Appointment of the External Audit

Is this report confidential?	No
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Is this decision key?	Not applicable
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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.
2. To inform members that the Governance Committee has already considered the various options available at its meeting on 24<sup>th</sup> November 2021 and is now recommending that Council accepts the invitation from PSAA to become an opted-in authority for the purposes of the appointment of its external auditor.

### Recommendations to Council

3. Consider the recommendation of the Governance Committee.
4. Approve that Public Sector Audit Appointments Limited be recommissioned to act as the appointing person for the appointment of an external auditor for Chorley Council for the five financial years commencing 1 April 2023.

### Reasons for recommendations

5. A relevant authority must appoint an external auditor to audit its accounts and council must make a decision whether to opt into the national arrangement for the procurement of external audit or procure external audit for itself.

### Other options considered and rejected

6. The Governance Committee has already considered the various options available at its meeting on 24th November 2021.

## **Corporate priorities**

7. 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**

8. 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.
9. 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.
10. 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.
11. 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.

12. 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.
13. 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.
14. The Governance Committee, at their meeting on the 24<sup>th</sup> November resolved that Full Council be recommended to agree to option 3 set out in the report, to recommission Public Sector Audit Appointments Limited to act as the appointing person for the appointment of an external auditor for Chorley Council for the five financial years commencing 1 April 2023.

#### **Climate change and air quality**

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

#### **Equality and diversity**

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

#### **Risk**

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

#### **Comments of the Statutory Finance Officer**

18. 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).
19. 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**

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

#### **Background Papers**

There are no background papers to this report

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