

Audit, Risk and Governance Committee

Meeting to be held on Monday, 18 October 2021

Electoral Division affected: (All Divisions);
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Appointment of External Auditors

Contact for further information:

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Executive Summary

Following the abolition of the Audit Commission, the council took advantage of the national collective scheme administered by Public Sector Audit Appointments Limited (PSAA) for the appointment of external auditors for the five consecutive financial years commencing 1 April 2018. This covers the audits of accounts for Lancashire County Council and Lancashire County Pension Fund for the financial years 2018/19 to 2022/23.

The second appointing period is to span the five consecutive financial years commencing 1 April 2023 and cover the audits of accounts for the financial years 2023/24 to 2027/28.

The council is required to consider the options available and put in place arrangements to appoint an external auditor by 31 December 2022. If the council's preferred option is to re-commission PSAA to undertake the appointment process, the council must inform PSAA of this decision by 11 March 2022 following a decision of the Full Council.

Recommendation

The committee is asked to agree **to recommend to Full Council** to opt into an approved sector led body, specifically Public Sector Audit Appointments Limited, to act as the appointing person for the appointment of external auditors for Lancashire County Council and Lancashire County Pension Fund.

Background and Advice

The appointment of the council's current external auditors is administered by Public Sector Audit Appointments Limited (PSAA) and the appointment covers the audits of accounts for Lancashire County Council and Lancashire County Pension Fund for the financial years 2018/19 to 2022/23.

The second appointing period is to span the five consecutive financial years commencing 1 April 2023 and cover the audits of accounts for the financial years 2023/24 to 2027/28.

The council is required to appoint an external auditor by 31 December 2022 to commence 1 April 2023. There are three options available to the council 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. Full Council approval would be required to opt into the sector led body approach as required by the Local Audit (Appointing Person) Regulations 2015. No significant further action would then be required by the council.

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.

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.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Financial

The external audit fee levels are likely to increase when the current contract through PSAA ends. The impact of any increase will be built into the updated medium-term financial strategy if this is in excess of the additional funding provided to councils to reflect the increasing cost of external audit following the outcome of the Redmond Review.

The recommendation to proceed with PSAA as the appointing body is expected to deliver the most economically advantageous option from the three available options, given the bargaining power and experience PSAA can bring to bear.

Legal

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable PSAA to be the 'appointing person'.

Risk management

Section 12 of the Local Audit and Accountability Act 2014 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A