



POLICY AND RESOURCES COMMITTEE

MONDAY, 17 JANUARY 2022

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| REPORT TITLE: | EXTERNAL AUDITOR APPOINTMENT 2023/24 TO 2027/28 |
| REPORT OF: | DIRECTOR OF LAW AND GOVERNANCE |

REPORT SUMMARY

The report provides for consideration of the recommendations of the Audit and Risk Management Committee in respect of External Auditor Appointment 2023/24 to 2027/28. The full minute of the Audit and Risk Management Committee and associated Report of the Director of Resources is attached.

RECOMMENDATION/S

The Audit and Risk Management Committee held on 30 November 2021 resolved to recommend that the Policy and Resources Committee consider the following

Resolved – that the Policy and Resources Committee and Full Council be recommended to enter into the option to enter into the procurement exercise led by the Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors for a period of five financial years from 1st April 2023.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 This report sets out the options open to the Council and the basis of officers' recommendation to the Audit and Risk Management Committee to opt into the national arrangement with PSAA.
- 1.2 PSAA appointment was the option selected by the Council in 2016 for the reasons set out below. Given challenges and capacity in the market and the need to maintain a high quality of external audit provision, there is an even stronger case that this option will produce better outcomes and will be less burdensome for the Council, compared to procurement undertaken locally because:
- collective procurement reduces overall costs for the sector and for individual authorities compared to smaller local procurements and contract management arrangements;
 - there is no requirement to establish a specific Council auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term; and
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.

Key features of the PSAA approach are:

- contracts let under the PSAA opt-in will run for five years;
- contracts between PSAA and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice;
- the number of firms eligible to undertake local public audit is regulated through the Financial Reporting Council and the Recognised Supervisory Bodies (RSBs). Only appropriately accredited firms will be able to bid for appointments;
- PSAA will manage current and potential future conflicts of interest rather than the Council having to re-procure contracts should such conflicts arise;
- opting into the PSAA will remove the need to set up an auditor panel in addition to the Council's Audit Committee;

- in addition to working with the Local Government Association (LGA), a stakeholder advisory panel with representative organisations for councils, police and fire bodies ensures ongoing influence and engagement with PSAA;
 - PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members;
 - scale fees will vary in line with the additional work needed which reflects risk and complexity (scale is set following consultation with opted in bodies);
 - PSAA will manage variation requests and approve where appropriate; and
 - This approach is supported and endorsed by the LGA.
- 1.3 The main downside with this is the inability to determine the evaluation criteria that will be used for procurement. Given that the audit approach is mandated through standards and guidance there is minimal flexibility in the scope of work requested.
- 1.4 The PSAA route was adopted by 484 of 494 bodies in the previous exercise.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options have been considered as reported within the minutes of the Audit and Risk Management Committee and appended report.

3.0 BACKGROUND INFORMATION

- 3.1 There is an immediate risk if approval is not agreed to proceed, we fail to take the decision to Policy and Resources in January 2022, then to Full Council by February 2022 and breach the PSAA requirements of the tender. This would mean non-compliance with the Local Audit and Accountability Act 2014 as referenced in paragraph 3.3 of the report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications.

5.0 LEGAL IMPLICATIONS

- 5.1 In accordance with the Part 3B of Constitution (Committee Terms of Reference), the Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.
- 5.2 The Policy & Resources Committee is charged by full Council to provide a co-ordinating role across all other service committees and retain a 'whole-council'

view of performance, budget monitoring and risk management. In particular, this includes specific responsibility for a decision

(i) that has a major impact on a number of Council services or on the Council as a whole;

As part of the matter of business that was the subject of the report to Audit and Risk Management Committee falls under that responsibility reserved to the Policy and Resources Committee, the Audit and Risk Management Committee's resolution is presented as a recommendation.

5.3 As the decision in this matter is the subject of a recommendation from another Committee, the Policy and Resources Committee must take into account the resolution of that Committee and give due regard to the guidance and comments made by its members. The Policy and Resources Committee must not, however, consider itself bound by that Committee's recommendations or otherwise fetter its discretion; its Members must come to their own decision. In doing so, the Committee must satisfy itself that it has been provided with all relevant information or a suitable précis to enable it to comply with its duties and make a lawful decision.

5.4 Other legal considerations are as set out in the annexed report(s).

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 This report is for information only and does not contain any direct resource implications.

7.0 RELEVANT RISKS

7.1 The risks were covered in the original report submitted to the Committee.

8.0 ENGAGEMENT/CONSULTATION

8.1 Engagement and Consultation were covered in the original report submitted to the Committee.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. There are no equality implications as a result of this decision.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environment or climate implications as a direct result of this decision.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are no community wealth implications as a direct result of this decision.

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APPENDICES

Appendix 1 – Minute Extract

Appendix 2 – External Auditor Appointment full report

BACKGROUND PAPERS

Local Audit and Accountability Act 2014

PSAA [Appointing period 2023/24 – 2027/28 – PSAA](#)

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|------------------|
| Audit & Risk Management Committee – External Auditor Appointment 2023/24 – 2027/28 | 30 November 2021 |