

Report to Council

9 February 2022

By the Director of Corporate Resources

DECISION REQUIRED



Not Exempt

Appointment of an External Auditor Panel

Executive Summary

At its meeting on 1 December 2021, the Council decided to appoint its own external auditors for the period starting in the financial year 2023/24. This requires the establishment of an External Auditor Panel involving a majority of independent members and an independent chairman. Following an application process and evaluation of the skills and suitability of candidates by the Chairman of the Audit Committee, Director of Corporate Resources and the Head of Finance & Performance, this report recommends the appointment of three persons to form this Panel and recommends the appointment of an independent chairman for the Panel.

Recommendations

It is recommended that Council:

- i) Appoint Mr Michael Chinn, Mr Alan Peach and the Chairman of Audit Committee as its independent External Auditor Panel.
- ii) Appoint Mr Alan Peach as the independent Chairman of the External Auditor Panel.

Reasons for Recommendations

- i) Mr Chinn and Mr Peach were the most recently experienced of the people who applied for the role. The Chairman of the Audit Committee forms a link to the Audit Committee as well as the current chairman having extensive experience in professional practice and his accountancy firm are registered auditors themselves.
- ii) Following discussions with the two independent members, Mr Peach has the most available time to carry out the role of Chairman of the Panel.

Background Papers: None

Wards affected: all

Contact: Jane Eaton, Director of Corporate Resources, 01403 756713

Background Information

1. Introduction

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. At its meeting on 1 December 2021, Council decided to not renew its agreement with Public Sector Audit Appointments Ltd (PSAA) but to seek its own external audit appointment. To make an independent appointment, the Council has to appoint an independent auditor panel of no fewer than three members of which the majority, and the Chair, must be independent. The Council instructed the officers to seek to establish an independent audit panel and refers the appointment of this Panel back to this meeting.

2. Relevant Council policy

- 2.1. Appointing an auditor is not a policy matter, it is the law. However, with all its services, the Council seeks to follow its policy objective to provide quality, value for money services.

3. Details

- 3.1. The Council advertised for independent people to join its Auditor Panel in December 2021 with the advertisement closing on 17 January 2022. The Council received three applicants and held informal discussions with them about the role. The discussions were with the Chairman of the Audit Committee, the Director of Corporate Resources and the Head of Finance & Performance. They recommend the following independent people be included on the Panel: Michael Chinn, FCCA, CPFA, MICH and Alan Peach, CPFA. Mr Chinn has broad private sector and housing association accountancy experience and Mr Peach was a s151 officer in local government for over 20 years.
- 3.2. It is proposed the Chairman of the Audit Committee should be a third member of the Panel to help with the link to the delivery of the Audit and because of his extensive experience in the external audit business.
- 3.3. It is recommended Mr Peach be the Chairman of the Panel as the seat must be an independent person and Mr Chinn feels the workload commitment might be too high for him.

4. Next Steps

- 4.1. The next steps are to develop a specification and documents for the Panel to review and put out a public advertisement for an auditor. The Panel will subsequently assist with scoring and evaluating the submissions prior to making a recommendation to appoint to Council at no later than their December 2022 meeting.

5. Views of the Policy Development Advisory Group and Outcome of

Consultations

- 5.1. As this is a matter reserved by law to full Council there is no need for PDAG or consultations.

6. Other Courses of Action Considered but Rejected

- 6.1. By law there are no alternatives to appointing an Auditor Panel to carry out this task.

7. Resource Consequences

- 7.1. The two independent Panel members will receive an annual allowance of £1,000 each for their work. This is included in the budget elsewhere on this Council agenda.

8. Legal Considerations and Implications

- 8.1. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year, in this case 31 December 2022.
- 8.2. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
- 8.3. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council. This could occur if no listed auditors applied for the work.

9. Risk Assessment

- 9.1. The main risks in this decision surround the Panel's competence to do this work. However, considering experience of the three recommended members this is very low.

10. Procurement implications

- 10.1. There are no procurement implications of this decision but a full public procurement by advertisement is needed to recruit the external auditor.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1. There are no equalities or human rights matters associated with this report.

12. Environmental Implications

- 12.1. There are no significant environmental implications from the introduction of this Panel.

13. Other Considerations

- 13.1. Although external auditors are allowed full access to all data held by the Council and in procuring the contract we will need to be careful of where the applicants process their data to ensure it meets the full requirements of UK Data Protection Law, there is no reason to believe the Panel members will need access to this data. Therefore we consider there are no other considerations associated with this decision.