

## Arrangements for the appointment of external auditors from 2023/24 to 2027/28

|                        |   |
|------------------------|---|
| To:                    | Audit & Accounts Committee  |
| Meeting Date:          | 25 November 2021  |
| From:                  | Chief Finance Officer   |
| Electoral division(s): | All   |
| Outcome:               | The committee will consider the options for the appointment of the Council's external auditors for the period 2023/24 to 2027/28, and specifically whether to join national procurement arrangements or adopt a local approach.   |
| Recommendation:        | Committee is asked to recommend that Full Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023. |

### Officer contact:

Name: Stephen Howarth  
Post: Assistant Director of Finance  
Email: [stephen.howarth@cambridgeshire.gov.uk](mailto:stephen.howarth@cambridgeshire.gov.uk)  
Tel: 01223 507126

### Member contacts:

Names: Councillors Graham Wilson and Nick Gay  
Post: Chair/Vice-Chair  
Email: [graham.wilson@cambridgeshire.gov.uk](mailto:graham.wilson@cambridgeshire.gov.uk) / [nick.gay@cambridgeshire.gov.uk](mailto:nick.gay@cambridgeshire.gov.uk)  
Tel: 01223 706398

# 1. Background

- 1.1 The Local Audit and Accountability Act 2014 established the current audit regime for local government. One aspect of this was the mechanism for appointing a council's external auditor, following the abolition of the Audit Commission, which required new procurement regulations for the external audit of authorities' accounts.
- 1.2 Councils are required to either appoint their own external auditor following a procurement process, or to opt-in to a national scheme whereby the appointing body, currently Public Sector Audit Appointments Ltd (PSAA), procures a range of audit contracts on behalf of opted-in bodies and determines who will be each body's external auditor. PSAA is a sector-led organisation and subsidiary of the Local Government Association. The PSAA was nominated by the government to be the appointing body for the first five-year cycle of this new audit regime and has been reappointed for the second five-year cycle.
- 1.3 Councils that procure their own external auditor instead of opting-into the PSAA arrangements must also establish a local Independent Auditor Panel (IAP). This panel must have a majority of independent members and is required to ensure that the independence of the appointed auditor is maintained. Councils that opt-into the national PSAA arrangements do not need to appoint this panel. It has been estimated by the Local Government Association that setting up a local IAP would cost around £15,000 plus ongoing expenses, allowances and running costs.
- 1.4 Authorities may join together to appoint a common IAP and have a shared external audit firm. There can be benefits to neighbouring councils having a common external auditor, but we have not received any approaches from neighbours to suggest this is something the local area would support.
- 1.5 The scope of external audits continued to be specified nationally, the National Audit Office is responsible for writing the Code of Audit Practice which all firms appointed to carry out local authority audits must follow.
- 1.6 In 2017 Full Council agreed for Cambridgeshire County Council to opt into the national arrangements and have PSAA appoint our external auditor. This opt-in covered the five-year period from 2018/19 to 2022/23.
- 1.7 Alongside Cambridgeshire, 98% of eligible bodies opted-into the national arrangements for that first five-year period.
- 1.8 PSAA is now beginning its procurement for the next period, covering 2023/24 to 2027/28, and has asked all local government bodies to confirm whether they wish to opt into their national arrangements by Spring 2022. If councils do not opt-in, then they will need to appoint an IAP and commence procurement processes to appoint their own auditor.
- 1.9 Cambridgeshire therefore needs to decide whether or not to opt-in to the PSAA arrangements, which must be done by Full Council, or make our own arrangements either on our own or with neighbours.

## 2. Main Issues

- 2.1 Continuing to opt-into the PSAA arrangements for the five years from 2023-28 is likely to offer better value for money and better outcomes than procuring the external audit function locally.
- 2.2 Collective procurement should maintain lower costs for the sector and to individual authorities compared to a local procurement due to the economies of scale and certainty offered to audit firms through the national arrangements. These would also be expected to mitigate to some extent the expected increase in audit costs over the medium-term resulting from firms struggling to resource audits.
- 2.3 If we do not opt-into the national arrangements, Cambridgeshire will have to set up and maintain, or join an existing, Independent Auditor Panel with the associated costs. That would bring an administrative burden for little additional benefit, along with the burden of running a procurement exercise for our auditor.
- 2.4 The PSAA arrangements are likely to continue to dominate the external audit market in local government, so it remains the best opportunity to appoint a qualified, registered auditor. There is a small number of firms capable of undertaking this work, and a local procurement would be drawing from the same pool of firms as the PSAA procurement.
- 2.5 We have relatively little influence over what we are procuring in our external auditor as the nature and scope of the audit is defined by regulations and codes of practice, and there is independent regulation of councils' external auditors.
- 2.6 There are clearly challenges with local government external audit. Costs are rising, there are delays in audits taking place, and the number of audit firms has reduced over time. None of these issues, however, is necessarily fixed by opting-out of the PSAA arrangements. If we procured our own external auditor, they would continue to be bound principally by the codes of practice and the IAP would manage the local relationship, limiting any increased influence over the auditor. We would also not necessarily have any more control over when the audit took place. Procuring together with a large number of other councils is likely to be our best way of achieving some improvements from the audit clients' perspective, namely more predictable and prompt audits with reasonable costs.
- 2.7 Supporting the sector-led body contributes most to ensuring there is a sustainable local government audit market in the medium-term. PSAA's selection by government to be the nominated body for the second cycle reflects confidence in their approach to the first cycle.

## 3. Alignment with corporate priorities

- 3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

- 3.2 A good quality of life for everyone

There are no significant implications for this priority.

### 3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

### 3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

### 3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

## 4. Significant Implications

### 4.1 Resource Implications

Section 2 sets out the resource implication.

### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The national procurement arrangements have a statutory basis, but if we did procure locally then the Council's procurement rules would need to be followed.

### 4.3 Statutory, Legal and Risk Implications

If the Council is minded to opt-into the national arrangements, it must do so in line with the statutory deadline of 11 March 2022, and will require a Full Council decision.

### 4.4 Equality and Diversity Implications

There are no significant implications.

### 4.5 Engagement and Communications Implications

There are no significant implications.

### 4.6 Localism and Local Member Involvement

There are no significant implications.

### 4.7 Public Health Implications

There are no significant implications.

### 4.8 Environment and Climate Change Implications on Priority Areas:

#### 4.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral

Explanation:

#### 4.8.2 Implication 2: Low carbon transport.

Neutral

#### 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.  
Neutral

4.8.5 Implication 5: Water use, availability and management:  
Neutral

4.8.6 Implication 6: Air Pollution.  
Neutral

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.  
Neutral

5. Source documents

5.1 Source documents

The Local Audit (Appointing Person) Regulations 2015  
Statutory invitation letter to local authorities from the PSAA

5.2 Location

[The Local Audit \(Appointing Person\) Regulations 2015](#)  
[Statutory invitation letter to local authorities from the PSAA](#)

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

N/A

Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications?

N/A

Name of Officer: N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Name of Officer: N/A

Have any Public Health implications been cleared by Public Health?

N/A

Name of Officer: N/A

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

N/A

Name of Officer: N/A