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**APPOINTMENT OF EXTERNAL AUDIT**

Committee: Audit Committee

Date: 22<sup>nd</sup> November 2021

Author: Finance Manager

[W107]

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1. **ISSUE**

- 1.1 The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 require authorities to either opt-in to the appointing persons regime or to establish an auditor panel and conduct their own procurement exercise.

2. **RECOMMENDATION**

- 2.1 Committee is asked to recommend to Full Council that this Council opts-in to the appointing persons arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external audit.

3. **BACKGROUND / OPTIONS**

- 3.1 PSAA were specified by the Secretary of State as the appointing person under regulation 3 of the Local Audit (appointing Person) Regulations 2015 in July 2016 and undertook the procurement exercise for the 98% of eligible bodies who opted into the procurement exercise for the five year period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2023.

- 3.2 The Secretary of State has recently confirmed PSAA in the role of appointing person for the five year period commencing on 1<sup>st</sup> April 2023. Councils have until 11<sup>th</sup> March 2022 to formally opt-in if they wish to do so.

- 3.3 The main advantages of using PSAA are set out in the prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;

- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;
- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

3.4 Regulation 19 of the Local audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council.

#### 4. ARGUMENTS / CONCLUSIONS

4.1 It is expected that a sector wide procurement conducted by the PSAA will produce better outcomes for the Council than any procurement we could undertake ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement. This option is therefore recommended.

4.2 To establish an auditor panel and conduct our own procurement, is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector lead procurement, would be likely to result in a more expensive service.

#### 5. FINANCIAL IMPLICATIONS / EQUALITY AND CARBON IMPACT ASSESSMENT

5.1 As detailed above, it is expected that a sector wide procurement exercise will result in a lower cost for the Council, and reduced administration, when compared to undertaking a standalone process.

5.2 An Equality Impact Assessment (INRA) is not required.

5.3 A Carbon Impact Assessment (CIA) is not required.

6. APPENDIX

- 6.1 Appendix 1 - Invitation Letter to opt-in from PSAA dated 22<sup>nd</sup> September 2021  
Appendix 2 – PSAA Prospectus

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<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
PSAA Prospectus 2021	Room 104 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>