

Cheltenham Borough Council
Council – 21 February 2022
Future Provision of External Audit from 2023/24

Accountable member	Councillor Peter Jeffries, Cabinet Member for Finance and Assets
Accountable officer	Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer)
Ward(s) affected	None directly
Significant Decision	No
Executive summary	<p>In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 (the Act) and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). Acting in accordance with this role, PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.</p> <p>One of PSAA’s most important obligations is to make an appropriate auditor appointment to each and every opted-in body. In 2017, this Council opted in to the appointing arrangements made by PSAA for the period starting 2018/19. Grant Thornton were appointed as our external auditor through this arrangement for the Statement of Accounts from 2018/19 and 2021/22 will be the final Statement of Accounts audited under this contract.</p> <p>Prior to making appointments for the second appointing period, commencing on 1 April 2023, a major procurement will be undertaken by PSAA to enable suppliers to enter into new auditing contracts.</p> <p>Local Authorities are required to take a decision as to whether they want to opt in or opt out of the national scheme before the 11 March 2022. A decision was made on 12 January 2022 at the Audit, Compliance and Governance Committee to recommend that this Council opts in to the PSAA arrangements for the contract period beginning 1 April 2023.</p>
Recommendations	It is recommended that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 1 April 2023.

Financial implications	<p>If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees from 2023/24, although it is anticipated that any increase will be minimised through using PSAA.</p> <p>Contact officer: Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer)</p> <p>Gemma.bell@cheltenham.gov.uk, 01242 264124</p>
Legal implications	<p>The process as set out in the report and the recommendation will ensure compliance with the Local Audit and Accountability Act 2014.</p> <p>Contact officer: Sarah Farooqi, Legalservices@onelegal.org.uk</p>
HR implications (including learning and organisational development)	<p>There are no direct HR implications for this Council.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.</p>
Corporate and community plan Implications	<p>None.</p>
Environmental and climate change implications	<p>None.</p>

1. Background

- 1.1 The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities, including local authorities.
- 1.2 These new arrangements include the ability of such bodies to appoint their own local public auditors via an auditor panel. This may be carried out individually or jointly with one or more other authorities.

2. Reasons for Recommendations

- 2.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by 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.
- 2.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation the Audit Committee makes the recommendation above to Full Council.
- 2.3 The PSAA procurement strategy for the contract is attached at Appendix 2 to aid Members in their decision-making.

3. Process and advantages

- 3.1 As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1st April 2015. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 3.2 It remains the view of the Society of District Council Treasurers (and of the other Treasurers' Societies) that the sector-led procurement by the PSAA is likely to be less resource intensive and likely to produce better outcomes. The PSAA has recently contacted Cheltenham Borough Council to establish whether the Council was interested in opting in to the PSAA national scheme for external audit appointments from 1 April 2023 onwards.
- 3.3 The deadline for opting in to the PSAA scheme is Friday 11 March 2022. It is therefore important that this issue is considered by Full Council at its next meeting.
- 3.4 The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.
 - Assure timely auditor appointments
 - Manage independence of auditors
 - Secure highly competitive prices
 - Save on procurement costs
 - Save time and effort needed on auditor panels
 - Focus on audit quality
 - Operate on a not for profit basis and distribute any surplus funds to scheme members.

4. Alternative options

- 4.1 An alternative option would be to establish an auditor panel and conduct a procurement exercise either alone or with other authorities. This is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.

Report author	Contact officer: Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer) Gemma.bell@cheltenham.gov.uk, 01242 264124
Appendices	Appendix 1 – Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Council decides not to opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors, then it would have to establish an auditor panel and conduct its own procurement exercise which could be more expensive, time consuming and lead to a lack of alignment with the other local authorities in respect of an approach to audit planning.	CBC Section 151 officer	December 2016	2	2	4	Accept	Opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.	11/3/2022	CFO	