



**Report To:** Audit and Governance 1<sup>st</sup> December 2021

**Lead Cabinet Member(s):** Councillor John Williams,  
Lead Cabinet Member for Finance

**Lead Officer:** Peter Maddock, Head of Finance

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## Auditor Appointment for 2023/24 Onwards

### Executive summary

1. From 1<sup>st</sup> April 2015 Public Sector Audit Appointments Ltd (PSAA) were responsible for appointing auditors, setting fee scales and managing contracts with the audit firms that carry out the audits of Local Authority accounts.
2. The current appointing period runs from 2018/19 to 2022/23 and this report proposes a course of action to be followed for the next appointing period commencing on 1<sup>st</sup> April 2023 for the financial year 2023/24.
3. This process has to be completed well in advance of the financial year in question and the approach to be taken needs to be agreed by this Committee.

### Recommendation

4. **That this Committee agree that when appointing the auditor for the next appointing period from 1<sup>st</sup> April 2023, the PSAA contract and framework is used for this process.**

### Background information

#### Introduction

5. The Council Accounts are currently audited by Ernst and Young (EY). They were the appointed auditor for the current appointing period which runs up to the end of the financial year 2022/23. The appointing period runs for five years and from the financial year 2023/24 a new appointment will need to be made as that is the start of the next five year appointing period.

#### Current Situation

6. The Council's accounts are currently audited by EY as the appointed auditor for the financial years from 2018/19 until 2022/23.

7. Whilst the audit of the accounts is somewhat behind schedule with the 2018/19 accounts audit due to be completed shortly with a view of getting up to date by this time next year, the Council needs to begin the process of ensuring that an appointed auditor is in place for the next appointing period.
8. The appointment can either be made through a framework contract organised through the PSAA or the Council can carry out a separate tender exercise and appoint an auditor via that route. Whichever route is chosen there are only a handful of firms able to complete this work and our auditors going forward would need to be one of these firms whichever route is taken.
9. For the last appointment period the vast majority of organisations went with the PSAA process as this was much more cost effective and the contract let was of a standard nature and the level of service provided was the same for all participants.
10. Having said that issues have arisen around audit firms being able to resource audits mainly due to a shortage of suitable staff to carry out the work and there have been a number of situations where audit opinions have been delayed. At the time of writing a significant number of the 2019/20 audits are still awaiting completion including ourselves.
11. It is also worth noting that whether we organise a tender process ourselves, which will undoubtedly involve incurring additional cost and time, or we join the PSAA process we will not overcome the sort of issues highlighted previously as the prospective tenderers in both scenarios are the same.
12. It is good practice that audit firms carrying out particular audits do not do so for the long term and the five year cycle of appointment periods is designed to ensure that each authority has a change of audit firm for each cycle. It is therefore highly likely that EY will no longer be the Council's auditor for the next appointment period.
13. The Committee is asked to confirm which route should be taken for the next auditor appointment period commencing on 1<sup>st</sup> April 2023.

## **Options**

14. The appointment process can follow one of the two routes suggested however there is no obvious advantage of carrying out a separate tender exercise and the latter will incur additional cost and significant officer time and we will still need to be audited by one of the approved firms which are part of the PSAA contract anyway. A discussion with other Cambridgeshire authorities has suggested that they all intend to follow the PSAA route for the reasons outlined earlier.

## **Implications**

15. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

### ***Legal***

16. There is a requirement for the Council to have an appointed auditor well ahead of the start of the next appointing period which this report proposes a course of action to achieve that.

### ***Financial***

17. The audit fees payable under the PSAA route are set by the contract between the PSAA and the audit firm. However additional fees are levied where additional work is undertaken or where there are additional requirements of a particular audit. Running a separate tender exercise is unlikely to produce any savings and it will not be straight forward letting a contract that covers all eventualities unless the PSAA standard contract was used.

### ***Risk***

18. There is a risk that no responses would be received if the Council undertake a separate exercise which would mean carrying out the exercise again. The PSAA exercise would guarantee an appointment and the terms of that appointment would be in line with other authorities.

### ***Environmental***

19. There are no environmental implications arising directly from the report.

### ***Equality Analysis***

20. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

## **Background Papers**

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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