

ICAEW  
BETTER GOVERNMENT SERIES



# PROCUREMENT

*Tendering for local public audit*

A SPECIAL REPORT

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## *Executive summary*

**For many years the selection and appointment of public sector external auditors in England (in local government and the health service) was carried out by the Audit Commission, which also promoted professional standards and maintained a quality control regime. The appointed auditors comprised teams from the Audit Commission's own in-house audit service, as well as from professional accountancy firms, with individual bodies having minimal say in the subsequent appointment. The appointment process, for professional accountancy firms, was centralised and carried out through bulk procurement and framework contracts.**

In 2010, the then Secretary of State for the Department of Communities and Local Government made a policy decision to abolish the Audit Commission and bring in a new regulatory framework for the appointment and regulation of external audit for local public bodies in England. This sought to make the appointment available at a local level.

The Local Audit and Accountability Act 2014 ('the Act') was enacted on 31 January 2014 and, subject to transitional arrangements, came into force from 1 April 2015. It abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies in England. Under these new arrangements, local government and health bodies can procure and appoint their own external auditors. Although the enactment took place on 1 April 2015, because of existing contracts that were in place, local public bodies were unable to select and appoint their external auditors until much later. For health bodies, this new power therefore commenced from the 2017/18 financial year, and for local government it commenced from the 2018/19 financial year. The Act also introduced the role of Auditor Panels to advise local public bodies on the selection, appointment and removal of external auditors, as well as on maintaining an independent relationship with them. Other functions, previously conducted by the Audit Commission, were allocated to the NAO, FRC, ICAEW and others.

The Act allowed for the specification of an 'appointing person' to enable relevant authorities to opt into collective procurement arrangements, where they chose to. The government recognised a local government sector-led body (Public Sector Audit Appointments Ltd (PSAA)), in the summer of 2016, as the 'appointing person' to select and appoint local public auditors on behalf of local government bodies that opted into it, thereby choosing to retain a more centralised procurement and contract management approach.

Through a process carried out in early 2017, the vast majority of local government bodies opted to use PSAA, which had thus far been managing the existing contracts through transitional arrangements, to select and appoint their external auditors. Health bodies have not sought to specify an 'appointing person' and have therefore chosen to select and appoint their own auditors, either individually or in local groups (indeed NHS Foundation Trusts have been doing this since their introduction).

However, the most recent round of health procurements brought some concern from auditors about the effectiveness of the procurement processes. This guidance is, therefore, drafted to provide a summary of the key principles and matters that local public bodies should have in place, which will help to contribute to an effective procurement process and then the subsequent management of the relationship with the local auditor.

This guidance has been written to support local public bodies when they are in the process of tendering for external audit services. It is largely based upon the accountancy firms' experience already gained in tendering for NHS Foundation Trusts and other public sector procurements, learning the lessons (both good and bad) from them.

The independence of the selection and appointment process, from executive management, is a central theme that runs through this guidance. While it is important that management take a full and active role in the procurement, there is a fine balance to be found between this involvement and undue influence on a decision.

Ultimately the Auditor Panel's objective is to identify the firm that is best able to meet the needs of the local public body in undertaking the external audit. This guidance highlights key factors that will contribute to an effective appointment process and outcome, in particular:

- The roles and responsibilities of all parties that will be involved in the external audit procurement process should be clear and understood by all parties, especially the decision-making and influencing roles.
- Auditor Panel members (as well as those providing support) need to have a full understanding of the remit of local public auditors, as well as an understanding of the needs of their local public body, to enable them to effectively advise on the procurement process that matches the auditor to the body.
- Whether following the full EU procurement process or using other approaches (such as using framework contracts), the process for procuring external audit services needs to be clear and bespoke to the particular factors involved in external audit, and not regarded as similar to the regular procurement of goods and services.
- Realistic timescales should be in place that give each party sufficient time to consider the procurement process.
- A key aspect should be to have a formal specification, at the start, setting out the key criteria that is important for the engagement and the local public body's requirements from its local public auditor, particularly highlighting issues such as non-audit services.
- In seeking effective competition, price will always be a factor, but quality should be the critical determinant, and understanding what quality really means will be an important factor for the Auditor Panel.
- The tender documents should, where possible, highlight all criteria relevant for the procurement including deliverable performance indicators in any future contract.
- Accountancy firms which are tendering for these engagements will require information about the organisation, in order to identify the audit risks and so be able to put together an effective and realistic bid. The firms have found that one of the most beneficial parts of this process is to include face-to-face briefings, after the initial information pack, rather than just access to information.

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## *Roles and responsibilities*

**The Auditor Panel is an advisory body providing advice and support to the local public body on the selection and appointment of their external auditor. It also has a role in the maintenance of an independent relationship, during the tenure of the appointment, and dealing with any issues that arise. This publication does not address this particular aspect, but the procurement process may want to consider how each side would manage the contract in such an event.**

### **THE AUDITOR PANEL**

While the legislation introduced the concept of an Auditor Panel solely for the procurement of external audit in local public bodies, where there is already an Audit Committee in place which is capable of meeting the requirements of an Auditor Panel (ie, the members are regarded as independent), it is expected that the Audit Committee will take on the role of Auditor Panel for this purpose. In local government, Audit Committees will include councillors who do not meet the independence criteria.

The Auditor Panel will advise the local public body on the need to maintain an independent relationship with the local public auditor. Primarily this will cover issues around provision of non-audit services, but may also advise on potential conflicts of interest.

The Auditor Panel members should have a good understanding of their responsibilities when taking on this role, including what is (and what is not) within their remit. All members of the Auditor Panel should also have a good level of understanding of the roles and responsibilities of the local public auditor, and the expected relationship to the local public body, to be able to adequately discharge their responsibilities.

The chair of the Auditor Panel, leading the process, should have the relevant knowledge and understanding to drive forward this process. If they and the Auditor Panel consider that there is a gap in their knowledge and understanding, they should (through either training or reference to key research information) take steps to ensure that they gain it. Those providing the training and support should remain independent of the future procurement process.

Members of the Auditor Panel should also have a good knowledge and understanding of the local public body that they are advising, receiving briefings from other members/attenders of the Audit Committee and executive management. Where there is a perceived gap in knowledge, executive management should ensure that the relevant information is provided.

In advising on the procurement, the Auditor Panel can request support from the specialists within the organisation, such as the finance and procurement teams. In some instances, particularly in local public bodies that are facing financial challenges, it may be helpful to include an external stakeholder, with relevant expertise, on the Auditor Panel to provide support with the procurement.

## EXECUTIVE MANAGEMENT

Ultimately, the responsibility for selection and appointment of the external auditor rests with the local public body, but its management should take ownership of the procurement process, including providing direction on the process and the resources (both quantity and quality, including from within the finance team) necessary for the drafting of the tender documents, etc.

Executive management should set up a project team with representation from appropriate specialists to undertake the process. This will typically include, at a minimum, a finance specialist and a procurement specialist. However, a lawyer may be useful for contractual issues, and others as appropriate, such as in areas of value for money. The project team should be given a briefing on the roles and responsibilities of a local public auditor, particularly if they have had little involvement with external audit in the past.

The most regular frustration, from tenderers, is often when a tender is led by procurement/commercial services without them having an understanding and appreciation of external audit, and how it differs from the procurement of more regular goods and services. The Auditor Panel needs to ensure that it manages the procurement and is not unduly led by the process.

The chief financial officer/director of finance (CFO) should be directly involved with the process, although the detailed logistical issues can be delegated to either the finance or procurement teams. The CFO will need to develop an effective working relationship with the local public auditors, during the terms of the appointment, and will generally have a greater level of experience than most others.

The chief executive officer (CEO) should take a role in reviewing and commenting on the proposed procurement process and appointment. The CEO's responsibilities might be to focus on some of the wider roles of the local public auditor (eg, how to assess value for money arrangements), or on how issues will be escalated, rather than the detail of statutory audit work.

The executive management team also supports the Auditor Panel by providing relevant information and answering technical questions.

Executive management should take the lead in obtaining advice and support from:

- Procurement specialists: to ensure that the tender process (where relevant) is compliant with EU procurement rules as well as other relevant legislation and regulations. Experience suggests that procurement specialists should not lead the actual procurement, but rather support the process. To provide this support, they need to ensure that they understand the specific nature of external audit (particularly as opposed to internal audit and other professional services) and therefore receive some training or induction in this area.
- Legal specialists: to ensure that contractual issues are considered both before and during the procurement process. Very often the local public body's standard terms and conditions will be inconsistent with the profession's standard engagement terms (such as over intellectual copyright, access to working papers, limitation of liability, etc.) and these need to be considered in advance.

## LOCAL PUBLIC AUDITOR

Local public auditors play an important role in creating and maintaining confidence in financial and non-financial information reported by local public bodies. This goes beyond their report on the annual report and accounts, since they can also make (within their professional responsibilities) a contribution in helping local bodies to raise their own standards, while they also have powers and responsibilities to raise their concerns through public reporting. This comes not only from the financial and value for money audit work specified by the regulatory framework, but also from the knowledge and expertise they bring to the process and the independent challenge that they can provide through the audit process.

The local public auditors' duties in relation to the audit of health and local government bodies are laid out in the Code of Audit Practice and related statutory guidance published by the National Audit Office. Under the Code of Audit Practice, local auditors are also required to follow UK professional and ethical standards.

Local public auditors, and their key audit partners taking on these engagements, are required, under the Act, to be licensed, registered and monitored with a recognised supervisory body. More information about this process can be found at [icaew.com/localaudit](https://icaew.com/localaudit). Firms and individuals that are authorised to do this work are included on the local audit register, which can also be found on this link.

# *Procurement process*

**Local public bodies will have in-house procurement rules that they will be required to follow, which are likely to follow EU procurement rules. Additionally there may also be some industry guidance which it may be helpful to consider.**

## **KEY CONSIDERATIONS**

The process for procurement of external audit services should be tailored according to the service to be provided, and this procurement is very different from the procurement of goods and other services, so a one-size-fits-all approach to the procurement process may not necessarily work. The procurement should be clear about the main statutory audit, and then the specific additional assurances that are to be required (eg, quality accounts in the NHS or grant claims in local government).

Examples of procurement processes that did not work include a local public body using an 'internal' audit specification as the basis for an external audit specification, or where a Clinical Commissioning Group used the tender documents of an NHS Trust, with only marginal changes to the text. Both of these examples indicate a need for more 'up front' work on drafting the tender specification that uses an in-depth knowledge and appreciation of the particular aspects of external audit. This will allow the body to confirm the mandatory aspects and then identify those elements that firms will differ on and can become the basis of competition and choice.

When starting a procurement process, the local public body should draft a plan of how it intends to execute the process (the detailed phases), who is responsible for each phase and for making key decisions, and the timelines within which it hopes to work for each stage of the process. The EU procurement rules set out minimum timings for each stage, which should be followed to avoid rushing the process and to enable a more effective procurement process to take place. In the past, some local public bodies have requested tenders to be submitted in a shorter period of time, which tenderers have felt pressured to agree to. This has resulted in poorer quality tenders and can lead to more post-tender clarifications and contractual discussions. Spending time in the initial planning process will result in a better overall outcome for the local public body.

Procurement processes should obviously avoid any bias towards a particular firm (eg, size, brand, etc.) or a process which inadvertently benefits the incumbent auditor (eg, in terms of their knowledge of audit risks particular to the organisation). One of the policy reasons for a change in appointment is to stimulate the market and innovation, therefore local public bodies should consider each firm on its own merit through the selection process which promotes fair and open competition.

Local public bodies should also ensure that they understand all the roles and responsibilities of external auditors and what they can and cannot do within their own professional and ethical standards. These are relatively complex, and more extensive than within the private sector. Their responsibilities cover such duties as issuing a report in the public interest, an advisory notice if an item of account is unlawful (or referral to the Secretary of State) or applying for a judicial review. Their role also has a broader scope, such as concluding on value for money arrangements, while there are limits on the advice that they can provide while maintaining independence.

In addition, local public bodies should seek to understand what each firm is able to offer on its own merits in terms of innovation and new ways of carrying out audit through the use of technology.

### **SPECIFICATION**

Before any formal tendering begins, best practice and experience suggests that the Auditor Panel should develop a specification for the procurement of the local public auditor. This will then drive the Pre-Qualification Questionnaire (PQQ) and Invitation to Tender (ITT). This could be in the form of a list of key factors that will need to be taken into account in the procurement process, such as:

- scope of the services required from the local public auditor;
- the aspects of audit quality that are the most important to the Auditor Panel, and how these can be demonstrated;
- the relative importance between price versus quality;
- the knowledge and insight of the organisation and the environment that it operates within, that can reasonably be expected from accountancy firms which might bid on this work;
- the personal attributes that the Auditor Panel is looking for from the future local public auditor;
- the openness of the local public body to innovative developments suggested by the local public auditors;
- lessons learnt from the process with the current incumbent (what has gone well and needs continuing and what could be improved);
- identify and agree the key selection criteria with an indication of the weighting to be given to each; and
- being mindful of the FRC's Ethical Standards and other related guidance from other bodies, including particularly the NAO's Auditor Guidance Note 1 (AGN01), which impact on the provision of non-audit services by the local public auditor.

The specification should avoid being overly prescriptive so it doesn't constrain both the local public body and those bidding in the procurement exercise, although it does need to be clear.

### **SCOPE OF AUDIT SERVICES**

The specification should describe clearly and accurately the scope of audit services, including any additional 'audit or assurance' work that might be required from the local public auditor, in addition to the statutory audit. This might include audits of charitable funds or associated organisations, or assurance engagements in support of grants, etc.

This additional work that may be required, will sit outside the scope of the statutory audit work (which is the basis for this guidance) and will therefore be subject to a separate engagement and separate fees. An example of this in the NHS is the requirement for an opinion on quality reports for Trusts and NHS Foundation Trusts. This is a separate engagement to the engagement on the audit opinion on the statement of accounts of the body.

## PRICE VERSUS QUALITY

A critical decision will need to be taken on the weighting between price and quality. Excessive focus on driving down fees will discourage some firms which will not bid on work that may threaten the quality of their audit work and their reputation. The Auditor Panel should be very clear about the rationale behind the weighting, both between price and quality as well as the elements within each, as well as the message that it sends to potential auditors on the importance attached to quality. The weighting needs to take account of what has been mandated on the local public auditor and what is a qualitative assessment that will be at the heart of the competitive process.

Audit Committees and Auditor Panels should be aware that the level of regulation of all registered auditors (both in the private and public sectors) has increased in recent years. In addition, auditing standards have increased the amount of work auditors need to do, while accounting and reporting standards are increasingly complex and require more work. At the same time the pressure on reducing fees has continued. It is also appreciated that the pressure on local public bodies to increase their activity and provide more services at a local level, within constrained budgets, has grown. This, in turn, increases the risks to the body and therefore will result in a potential need for additional audit work. There is, therefore, a need to be realistic about the expectations of price and find a way to balance the price versus quality decisions.

In evaluating price and quality, the Auditor Panel should review the weighting methodology to key factors. A too simplistic ranking on price (eg, cheapest scores 100% and the most expensive 0%) will put off potential accountancy firms from bidding for this work, and may have unintended consequences.

## AUDIT QUALITY

The minimum requirement for all local public auditors is that they are registered with a recognised supervisory body (RSB – currently ICAEW or ICAS). This provides assurance that the firm and the key audit partners are assessed as eligible and competent to carry out the work. Under the Act, local auditors will be subject to monitoring of their work in accordance with the Act, the Code of Audit Practice, and relevant professional and ethical standards. This includes specific requirements on the firms and on the individual key audit partners.

Where firms and individuals are licensed and registered with an RSB, they are also subject to the local audit regulations, as well as the RSB disciplinary bye-laws, investigation, complaints and arbitration processes. Auditor Panels, and their public bodies, can thus take assurance that firms and key audit partners with an RSB all meet the professional standards.

Auditor Panels may ask to review reports produced by the RSB's Quality Assurance Department on the results of their monitoring of the individual firms.

It will, therefore, become essential for Auditor Panels to understand the deeper aspects of audit quality, and what it will mean to the procurement process and their decisions about which firm to appoint as their external auditor. There are four areas to consider within the audit quality framework.

- **Personal attributes:** it will be important for the Auditor Panel to understand the level of knowledge and skills of the members of the audit team that will be involved in the engagement. Firms bidding for this work should be able to demonstrate this, starting with the individual designated as the key audit partner, but also those individuals who are most likely to be spending significant amounts of time within the organisation.

- **Audit methodology:** Firms all have their own methodology for when they carry out their audit engagements. However, they should be able to outline the high-level audit procedures that will be used, so that Auditor Panels can compare and contrast. One of the reasons for decentralising the appointment of local auditors was to encourage innovation (such as increasing the use of technology for assurance purposes – where the quality of the data can be relied upon).
- **Quality control:** As part of the requirements of being a registered auditor with an RSB, firms must maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour), as well as applicable legal and regulatory requirements. The Auditor Panel can ask about how firms mitigate risks at both a firm and an engagement level.
- **Insight added:** This last consideration is in relation to the insight or value that a local public auditor can bring to the local public body, in addition to the benefits of a well-executed audit and the formal outputs (management letter). Local public auditors will, through their work in the sector, have a wider insight into the current and future trends in the sector that they can share without compromising confidentiality. Alternatively, they may offer access to training and professional updates. However, bodies need to be aware of the ethical standards that limit the amount of consultancy services that the local auditor can provide.

### KEY PERFORMANCE INDICATORS

With one eye to subsequent contract management, the ITT should set out Key Performance Indicators (KPIs) that are measurable, as well as invite tenderers to propose any indicators that are pertinent to their own quality procedures. These might include:

- timeliness of production of key documents by agreed deadlines; such as the audit planning report, the report to those charged with governance, annual audit letter, etc. This would include drafts to management within a reasonable amount of time and final copies thereafter;
- attendance at key audit committees and other scheduled meetings;
- responding to requests and correspondence (eg, within three to five working days);
- timeliness of raising of issues with management;
- completion of fieldwork within plan on a timely basis and, if agreed for additional assurance work, the levels of input (number of days and mix of staff);
- clarity of findings and the relevance of any recommendations;
- results of regulatory inspections of the local public auditor that are directly relevant to the work on the local public body (ie, on the body's own audit or the work of the key audit partner); and
- satisfaction feedback from management and staff, both for the overall service as well as the main posts (partner, manager, etc). This could cover the level of constructive challenge to the finance team, or how clearly key audit issues have been explained and evidenced.

## INFORMATION TO TENDERERS

The critical factor, for firms that are intending to bid for external audit services, is the need to identify and understand the audit risks to the local public body, some of which will be generic to the sector, while others will be specific to the body. The information provided to tenderers should, therefore, focus on this objective of identifying audit risks, being open and transparent on what these might be.

All firms should have access to sufficient relevant information (previous financial statements, budgets, audit reports, minutes and agendas, etc.) to enable them to tailor their bids according to the requirements of the local public body. While much of this may be publicly available on the local public body's website, potential tenderers also require access to some commercial or confidential information (such as internal audit reports, details of financial systems, use of shared services, extracts from relevant risk registers/ assurance frameworks, etc.).

Most tenderers value highly the opportunity for a briefing, understanding that the body must ensure that each tenderer is treated equally. This briefing can be done individually or as a group, but should focus on the specifics of the local public body and its priorities, giving more in-depth information and allowing the tenderers to ask the questions that they believe are important to establish the audit risks. This covers the risk that the ITT may not have covered all relevant aspects of this specialist area. This will also allow firms to consider if they will be able to work with the key members of the organisation and ensure that there are no conflicts which might inhibit a firm from bidding.

## INFORMATION REQUESTED FROM TENDERERS

Where PQQs or ITTs are used, as is best practice in any procurement, they should avoid asking for excessive information that is only marginally relevant to the role, or duplicating questions in both the PQQ and ITT. Any questions asked should be relevant and specific to the objective of the tender and the specification. A balance needs to be struck over the length of the written responses, allowing the firm to explain its response but in a form that can be easily understood by Auditor Panel members.

For example, auditors have highlighted that, in recent bids, they were advised to stick to a low word limit in preparing their tender. They did this, but were then penalised for not providing enough information to enable the local public body to make a judgement on the suitability of a potential local public auditor.

It is also helpful if tenderers are given an idea of the relative weighting being given to each element or question in the tender. Such a marking scheme, as with the balance of price and quality, provides an indication of the relative importance that the audited body attaches to each part.

Good examples of getting information about a tenderer's process is to ask questions about hypothetical situations/scenarios, so as to understand how a relationship might work in practice, and balance professional independence and objectivity with building a constructive working relationship. Such questioning through scenarios can also help highlight where areas of judgement would be introduced. These could cover how changes in accounting policy or estimates might be addressed, or how a disagreement might be handled. However, in setting these scenarios, it is important that specific historic scenarios are not used that might provide an advantage to the incumbent.

Carrying out work and forming an opinion on value for money arrangements (as well as regularity of expenditure in the case of CCGs) is one of the main differences between private and public sector auditing. The approach taken by different firms may be a key differentiator between them. While all firms must follow the Code of Audit Practice and related guidance, the Auditor Panel should ensure that the ITT invites submissions in sufficient detail to differentiate the approaches and identify those that will fit most easily with the local public body. This should enable the firms to demonstrate understanding and insight.

Similarly, the Auditor Panel might want to consider and ask how the external auditor would exercise their additional powers, such as issuing a report in the public interest or applying to a court to declare that an item on account is contrary to law. While it is to be hoped that such events would not occur, the Auditor Panel should be clear about the role of the auditor on these aspects and what its expectations would be from the local public auditor. The local public auditor should be able to express how any judgement would be arrived at.

Auditor Panels should also ensure that they work with procurement specialists to ensure that clarification processes, on tender responses to ITTs, are clear from the start and equitable. In some instances an overly harsh interpretation of clarification processes can remove tenderers with an otherwise relevant offering.

## **INTERVIEWS**

Under EU procurement rules, interviews after the ITT may only be used for clarification purposes and are no longer allowed to be a separate element of evaluation. However, they could lead to changes being made to the assessment of the written tender - up or down - if the clarification resolves a matter of understanding.

Where tenders are undertaken outside EU regulations, care is still needed to ensure that interviews do not overly bias any decision. Any interview should, therefore, be limited to seeking to assess assertions made about the ability of the engagement team to build relationships, demonstrate their personal attributes and to explore, in more detail, the depth of understanding of the local public body.

## *Use of framework agreements*

Many local public bodies use national or regional framework agreements that have already been through EU procurement processes, which enables a limited procurement process to be undertaken (for example there is no need for a PQO). An invitation to tender can be issued to a number of suppliers on the framework. While this is attractive from an administrative point of view, there can be over reliance on the framework as a simple solution and many of the framework agreements may not be specific to 'external audit', but in a more generic category, such as professional services. The Auditor Panel therefore needs to ensure that, if it is considering this method of procurement, it meets their needs, but will also need to ensure that the subsequent contract is amended to meet the specific terms and conditions for the relationship between the audited body and auditor.

For example, not all potential suppliers may be included in a particular framework contract, which may disadvantage a local firm that could be able to provide the same services. Using framework contracts can also decrease competition. It should also be noted that framework prices are generally a 'maximum' price and therefore the actual price can be competed for through the tender process.

As with any contractual agreement, Auditor Panels and their advisers should review the Standard Terms of Engagement from the framework, and amend them to ensure that they remain relevant and appropriate to both the local public body and the local public auditors. As part of the tender process the audited body may wish to either ask the tenderers for a copy of their standard terms and conditions, or ask them to identify which of the standard terms and conditions they wish to amend and in what way.

## *Joint procurements*

Although the above guidance is primarily based on a single local public body procuring for itself, the points raised are valid for a joint procurement. However, while joint procurements can cut the costs for all parties, it is important that the final choice of local public auditor is right for the individual local public body. Therefore the ability to appoint separately should be available if the joint procurement does not work for one or more bodies. One firm may not be appropriate for all local public bodies, for example in a local economy or with bodies of a similar type, particularly if this raises concerns on independence. While appointing one local public auditor could provide economies of scale (and maybe scope), this should not necessarily be a deciding factor.

Where a joint procurement is undertaken, the Auditor Panel needs to be clear on the similarities between the local public bodies (where economies/efficiencies may be found) and where they have different needs (and therefore need a more bespoke offering).

Particular issues that have arisen with joint procurements include the following.

- Where tendering firms may already provide internal audit (or other services) to one or more of the local public bodies, this could create a conflict of interest or the need for other procurements.
- Where the procurement is carried out by a Commissioning Support Unit for local Clinical Commissioning Groups, the evaluation of tenders will necessarily be quite objective and may not take fully into account a real understanding of the needs of each body.
- Where Accountable Care Organisations are being developed, or other models of integrated provision are being used or considered, the needs and roles of the external auditors of each provider will need to be factored into the tender, including carrying out the necessary due diligence.

## *Further references*

The references below are for more general information and background on the area of local public audit, tendering for external audit and audit quality. This information is publicly available, but many professional bodies have developed good quality guidance for their members that is only available to their members and subscribers (Local Government Association, Healthcare Financial Management Association or any of the accountancy bodies).

### ICAEW

**General information:** [www.icaew.com/en/technical/audit-and-assurance/local-public-audit-in-england](http://www.icaew.com/en/technical/audit-and-assurance/local-public-audit-in-england)

**Local Audit Register:** [www.icaew.com/en/technical/audit-and-assurance/local-public-audit-in-england/local-auditor-register](http://www.icaew.com/en/technical/audit-and-assurance/local-public-audit-in-england/local-auditor-register)

**Audit Quality Forum:** [www.icaew.com/en/technical/audit-and-assurance/audit-quality-forum-aqf](http://www.icaew.com/en/technical/audit-and-assurance/audit-quality-forum-aqf)

### FRC

**Local Audit and Statutory Regulations:** [www.frc.org.uk/auditors/professional-oversight/local-audit](http://www.frc.org.uk/auditors/professional-oversight/local-audit)

**Standards and Guidance for Auditors:** [www.frc.org.uk/auditors/audit-assurance/standards-and-guidance](http://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance)

**Audit Quality Practice Aid for Audit Committees:** [www.frc.org.uk/getattachment/fdcfef97-6769-46b0-895d-1f02a9aa11cd/FRC-Audit-Quality-Practice-Aid-Leaflet.pdf](http://www.frc.org.uk/getattachment/fdcfef97-6769-46b0-895d-1f02a9aa11cd/FRC-Audit-Quality-Practice-Aid-Leaflet.pdf)

### CIPFA

**Guide to Auditor Panels:** [www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf](http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf)

### DEPARTMENT OF HEALTH

**Procurement of external auditors for NHS Trusts and CCGs:** [www.gov.uk/government/publications/procurement-of-external-auditors-for-nhs-trusts-and-ccgs](http://www.gov.uk/government/publications/procurement-of-external-auditors-for-nhs-trusts-and-ccgs)

### NAO

**The audit framework for local public audit:** [www.nao.org.uk/code-audit-practice/the-audit-framework-for-local-public-bodies/](http://www.nao.org.uk/code-audit-practice/the-audit-framework-for-local-public-bodies/)

**Code of Audit Practice:** [www.nao.org.uk/code-audit-practice/](http://www.nao.org.uk/code-audit-practice/)

**Auditor Guidance Note 01:** [www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/AGN-01-General-Guidance.pdf](http://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/AGN-01-General-Guidance.pdf)

### ICAS

**The audit of local authorities in England:** [www.icas.com/regulation/the-audit-of-local-authorities-in-england](http://www.icas.com/regulation/the-audit-of-local-authorities-in-england)

**Register of Statutory Auditors:** [www.auditregister.org.uk/Forms/Default.aspx](http://www.auditregister.org.uk/Forms/Default.aspx)

### PSAA

[www.psaa.co.uk](http://www.psaa.co.uk)

# The Better Government Series

ICAEW supports greater transparency and accountability in public sector finance and provides policy recommendations to ensure taxpayers' money is managed wisely. Our *Better Government Series* is a series of thought leadership, policy insights, toolkits and best practice special reports on topical public sector financial management issues. Examples include:



## Managing the public balance sheet

This Policy Insight aims to help public officials understand what is in their balance sheets. The value of the information about different sorts of assets and liabilities and how some governments around the world are using it to support more effective policy-making. In particular, it is written, to help government ask the right questions to make the most of their financial information.



## The UK Central Government Public Financial Management System

While the UK system is transparent, the relationship between the government, acting on behalf of the Crown and Parliament is complex, with a number of parties involved in the overall process by which public expenditure is approved, managed and accounted for. This document aims to provide a simple and clear explanation of how the system works – in one short and accessible document.



## Building blocks to better PFM – a cash to accruals toolkit

Using generally accepted tools and standards of project management we have created this practical 'how to' guide which brings together information that is relevant to the implementation of large projects. The toolkit sets out six practical 'building blocks' as the foundation to improve the quality of financial reporting and public financial management.



## The role of financial leadership in sustainable public finances

In this publication, we explore the role that finance leaders can and should play in managing sustainable public finances. We explore the drivers for strong financial leadership and the skills and competences that, in our view, a strong finance leader should have. Senior leaders, from around the world, provide their thoughts on the importance of strong finance leaders in the public sector.

These publications and others in the series can be found here [icaew.com/publicfinances](https://www.icaew.com/publicfinances)



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