



# Public Sector Audit Appointments

## **Summary Business Plan April 2025 to March 2028**

**September 2025**

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

## Foreword

In April 2025 the Ministry of Housing, Communities and Local Government (MHCLG) issued its plans to reform local audit. These plans include the establishment of a Local Audit Office (LAO) to oversee local audit, to simplify and streamline the current fragmented system, and to ensure efficiency, transparency and value for money. We publicly welcomed the plans for local audit reform and are actively supporting them to deliver meaningful change. As part of the reforms, our appointing person functions will transition into the LAO, most likely within the next two years.

We are pleased to introduce our Summary Business Plan for the period through to March 2028. The plan summarises who we are, what we do, and how we will continue to carry out the role of the Appointing Person under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

During this period of change, we remain fully committed to working collaboratively with MHCLG and other key partners. Our focus is on helping to lay the groundwork for the LAO, ensuring that the new structure is built on a strong and stable foundation. At the same time, we are prioritising continuity and stability, so that the transition is smooth and effective for all stakeholders involved. This business plan covers the period of our transition to the new arrangements so sets out a programme of work to enable us to continue to deliver our appointing person role, support the Government to reform local audit and establish the LAO.

We are committed to good governance and transparency recognising that we spend public money and act on behalf of a significant number of local government bodies.

Bill Butler, Chairman



Tony Crawley, Chief Executive



## About PSAA

1. Public Sector Audit Appointments Limited (PSAA) is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations.
2. PSAA began operations on 1 April 2015 when the then Secretary of State for Communities and Local Government delegated to PSAA on a transitional basis several statutory functions and novated contracts following the closure of the Audit Commission. These responsibilities included appointing auditors and setting audit fees for both principal and smaller authorities and grant certification. Whilst most of these transitional responsibilities have ended, there remain a few residual audits under these arrangements for which we are responsible.
3. In July 2016 PSAA was specified by the Secretary of State as an appointing person for principal local government, fire authorities 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), which provide the framework for how we operate.
4. We developed a national auditor appointment scheme which commenced in April 2018. We set the duration of the first appointing period at five years until 31 March 2023, covering audits of the accounts for the financial years 2018/19 to 2022/23. The second appointing period commenced in April 2023 covering audits of the accounts for the financial years 2023/24 to 2027/28.
5. Over the past two years our key areas of focus have been:
  - a. Fulfilling our statutory responsibilities as the 'appointing person' to the highest possible standards by delivering an effective and efficient national auditor appointment scheme for our opted-in bodies within the local audit framework for the second appointing period covering the audits of 2023/24 to 2027/28, including a major reset of scale fees for the 2023/24 audits following the audit services procurement undertaken in 2022 and establishing strengthened arrangements to manage the resulting audit services contracts.
  - b. Supporting systems leadership through being a proactive and committed player within the local audit system. Significantly contributing to the design and delivery of the Government's solution to address the local audit backlog, supporting the work of local audit system stakeholders more broadly and responding to the implementation of the backlog solution which gave rise to substantially increased volumes of fee variations.
  - c. Identifying ways to increase our operational effectiveness by implementing new systems and increasing our organisational capacity and resilience in response to unsustainable workloads stemming from local audit system challenges. We also completed a formal review to implement sustainable long-term working arrangements, recognising the flexibility enabled by technology and new working practices in a post-Covid world.
6. Alignment with the Government's Transition Plan is vital so our work to close down PSAA and to transition to the LAO will form a significant part of this business plan, alongside the delivery of our statutory functions.

7. At the same time, we are prioritising continuity and stability, so that the transition is smooth and effective for all impacted stakeholders. This business plan covers the period of our transition to the new arrangements so sets out a programme of work to enable us to continue to deliver our appointing person role, support the Government to reform local audit and establish the LAO. It will require a flexible approach as details of the change programme become clearer. Alignment with the Government's Transition Plan is vital so our work to close down PSAA and to transition to the LAO will form a significant part of work during this period, alongside the delivery of our statutory functions.

## Strategic objectives

8. Our responsibilities and aims are expressed through a series of objectives designed in response to our statutory duties, namely to:
- a. perform and discharge the remaining functions delegated by the Secretary of State on a transitional basis, up to completion of audits of the accounts for 2027/28.
  - b. perform and discharge the functions of an appointing person specified by the Secretary of State, including:
    - to issue an invitation to all relevant principal authorities to become an opted-in body.
    - to appoint the external auditor to all opted-in principal authorities after consultation (Appointing auditors).
    - to specify scales of fees for the audit of accounts of opted-in authorities, before a specified date (currently 1 December of the year to which the audit relates), and after consultation (Setting fees), and vary the fee where appropriate.
    - to keep, and publish, a record of authorities that become opted-in bodies; to oversee issues of appointed auditor independence, monitor compliance, assist in the resolution of disputes or complaints; and deal with the removal of an appointed auditor.
  - c. take steps to ensure that public money is properly accounted for and protected (Managing public money).
  - d. oversee the delivery of consistent, high quality and effective audit services to relevant authorities (Managing the audit contracts).
  - e. ensure effective management of contracts with audit firms for the delivery of audit services to relevant authorities (Managing the audit contracts).
  - f. be financially responsible, having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies (Being financially responsible).
  - g. lead our people as a good employer, ensuring that we continue to be fit-for-purpose; motivating and supporting our staff; and communicating with them in an open, honest and timely way (Managing our people).

## How we work

9. Our approach to fulfilling the role of an appointing person is underpinned by the following key principles:
  - exercising our statutory functions consistently, proportionately, openly and fairly.
  - observing the highest standards of integrity and professionalism as the appointing person.
  - taking all reasonable action to address market challenges and to support longer-term sustainability within the local audit market.
  - playing our part alongside key stakeholders to maintain the high standards of public audit which are necessary to command public confidence.
  - consulting and collaborating widely; listening to and learning from those with an interest in what we do.
  - communicating with stakeholders before making decisions and explaining our decisions clearly.
  - taking the time to implement decisions with stakeholder involvement and developing new initiatives when appropriate.
  - being an agile and flexible organisation, changing course if needed to be responsive, both to stakeholders and to our operating environment.
  - treating people and their information with sensitivity, respect and confidentiality.
  - closely monitoring developments and emerging issues relating to the audit market and actively considering what these might mean for local audit and our role as appointing person and for the LAO.
10. We operate in a diverse and complex stakeholder landscape so effective communication and engagement are crucial. We recognise that our stakeholders' requirements and expectations will vary significantly, which means that we need to use a range of ways to communicate and engage.
11. We have effective working relationships with key stakeholders including MHCLG, the Local Government Association (LGA), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accounting (CIPFA), the Financial Reporting Council (FRC), and the Institute of Chartered Accountants in England and Wales (ICAEW), as well as other organisations with an interest in the local audit system, including relevant sector groups and the media.
12. We will continue to work closely with MHCLG to support their plans for local audit reform and the creation of the LAO to ensure a smooth handover of relevant functions and to provide service continuity for local government bodies.
13. We will continue to communicate and engage with opted-in bodies and local audit stakeholders in the delivery of our strategic objectives and to demonstrate the value of our work and contribute our views (and hear the views of others). We will also communicate and engage to support the implementation of changes to reform the local audit framework including through:

- participation in the Transition Board, the NAO's Local Auditor Advisory Group and other relevant fora.
- participation in meetings of Treasurers' Societies and other relevant networks such as Audit Committee Chair fora.
- issuing e-bulletins to s151 Officers and Audit Committee Chairs or equivalent.
- seeking feedback on our communications and engagement activity.
- hosting our Advisory Panel which meets three times a year, comprising representatives of Treasurers' Societies.
- ad hoc delivery of webinars on local audit matters targeted at Audit Committee Chairs and Directors of Finance to explain, debate and discuss key issues.

## Local audit context

14. The local audit context has continued to evolve over the past two years. In December 2024 the Government set out its strategy for the overhaul of local audit. This included the creation of a statutory and independent Local Audit Office (LAO) to take on functions currently fragmented across the system and bring together strategic oversight and technical expertise to identify and address challenges.
15. Once established, the LAO will absorb PSAA's responsibilities to procure, appoint and contract manage auditors to local government (local authorities, police, fire and other bodies) in England. The Government's timetable sees the LAO being created in Autumn 2026 with resources transferring to the new organisation thereafter. The English Devolution and Community Empowerment Bill published on 10 July 2025 includes legislation to reform the local audit system and establish the LAO.
16. This backdrop of significant change will heavily influence our work for as long as PSAA exists. Our key drivers will be:
  - supporting the development and implementation of the Government's strategy for local audit reform.
  - supporting a smooth transition and handover to the LAO.
  - supporting the implementation of the backlog solution including the plans to build back audit assurance as soon as possible.
  - securing sufficient audit capacity from which to appoint auditors to support further devolution in England, and local government reorganisation for audits from 2028/29.

## Governance

17. Following a review of our [corporate governance framework](#) in 2024 and in recognition of an increased workload following the Government's plan to reform the local audit system and our own organisational close down and transition, the Board agreed to increase the number of directors from five to a maximum of seven.
18. We currently have a [Board of six non-executive directors](#), an Audit Committee, a Procurement & Appointments Committee and a People & Remuneration Committee, all supported by a [Chief](#)

[Executive and a team of staff](#) who have significant experience and skills in procuring and all aspects of managing contracts for public audit services, as well as administering a Companies Act Company.

19. Our funding comes from our opted-in bodies. The audit fees paid by opted-in bodies include a provision (<3.5%) to cover our costs to operate the national scheme (Section 4 provides detail on our finances and resourcing).
20. We ensure that our externally provided services meet our requirements and provide value for money, and that our core systems, processes and tools are resilient, efficiently run, and provide good value and service for the sector.

## Our strategy during 2025 to 2028

### Statement of Strategy

21. The Board agreed a vision and set of success pillars to guide our work and underpin the delivery of this plan. Our vision is *“to be a leader in the delivery of a thriving local audit framework in England”*.
22. Our strategic approach is built on five interconnected success pillars that guide our work as the appointing person and our contribution to strengthening the local audit system during this critical period of reform and transition:
  - **Customers and stakeholders** – we value working relationships, engender trust, and effectively influence, communicate, and engage using our unique role to facilitate independent two-way communications between customers, stakeholders and government.
  - **Local audit sustainability** – we actively support the reform of local audit and promote an efficient and valued audit regime that has the public’s trust and provides value for money for the sector.
  - **Effective delivery** – across our statutory duties, operational and project activity to support public trust in and accountability of local audit.
  - **People** – we have the right operating model, capabilities and capacity with a highly motivated workforce who we actively support during the transition to the LAO.
  - **Governance** – we are a well-run organisation with adaptive and robust corporate governance arrangements to sustain services and to manage the company’s closure successfully and the transfer of systems and data (where required) to the LAO.

### Delivering our strategy in 2025 to 2028

23. As a publicly funded organisation, we are committed to managing our operations responsibly and fulfilling our statutory duties effectively.
24. Our core responsibilities as an appointing person remain. We will continue to perform our statutory duties and proactively oversee audit firms’ performance under the audit services contracts.



25. We remain a collaborative, transparent, and responsive organisation, continuously seeking improvements and efficiencies through performance reviews and cost minimisation.
26. We understand the critical role of stakeholder communication and engagement.
27. We will continue to motivate and support our team by communicating with them in an open, honest and timely way, and offer development and training opportunities as appropriate. We will also continue to monitor and regularly assess workloads to ensure we are adequately resourced.
28. We are fully committed to supporting the Government's efforts to establish a more stable, resilient, and sustainable local audit system. Our contributions will include:
- Supporting initiative to reform local audit: actively contributing to work seeking to identify and address systemic challenges commissioned by MHCLG or other local audit stakeholders.
  - Facilitating transition: assisting in the establishment of the LAO and ensuring a smooth and effective transition process.
  - Engaging in local audit system governance: participating actively in the Transition Board to help guide and oversee the reforms.
  - Informing policy development and implementation: raising emerging issues with MHCLG and, where appropriate, proposing practical solutions to inform the policy priorities.
  - Collaborating with MHCLG: engaging regularly to align on strategic priorities and share progress updates.
  - Providing insight and intelligence: supplying relevant data, analysis, and observations to support evidence-based decision-making and the production of targeted reports, including our annual contract monitoring report.
  - Aligning procurement objectives: ensuring our audit procurement and appointment strategies are consistent with the broader goals of the reformed local audit framework.
29. The breadth of our work outlined in this business plan is captured in four themes:
- Theme 1. Fulfil our statutory responsibilities as the 'appointing person' to the highest possible standards.
  - Theme 2. Procurement including contract management – development of a framework for the next procurement round against a backdrop of uncertainty to secure auditor appointments from 2028/29 to provide a stable audit supply starting point for the LAO and ensuring our contract management arrangements are ready for transfer.
  - Theme 3. Preparation – preparing for the transition to the LAO, addressing the impact on PSAA's governance and operations (see para 27).
  - Theme 4. People – supporting PSAA staff through the transition including helping them to manage uncertainty and benefit from the opportunities arising from the change (see para 28).



30. Theme 3 will encompass a broad range of operational activities essential to prepare for a successful transition to the LAO. It will address the impact on governance, systems, people, and processes, and ensure continuity and compliance throughout our transition. The theme will comprise the following workstreams:
- Communication and Engagement will ensure that all stakeholders, internal and external, are kept informed and engaged throughout the transition. It will include the management of digital assets such as websites and email systems, stakeholder communications, brand identity updates, and the continuity of operational messaging during the transition period.
  - Finance and Fees will focus on maintaining financial integrity. It will manage the transition of financial systems, the transfer of assets and liabilities, and the handling of audit fees and final accounts. It will ensure that we meet all financial obligations through to closure, including compliance with accounting standards and funding requirements.
  - Governance will ensure PSAA's governance, legal, and operational frameworks are robust, compliant, and fit for purpose throughout the transition to the LAO. This includes safeguarding the company's independence, overseeing the legal and regulatory steps required to end PSAA's appointing person role, planning for potential company dissolution, and establishing a secure and compliant data governance framework to support the transition and closure.
  - IT and Systems will plan and manage the technical aspects of the transition, including the migration of systems, data, and software licensing where required. It will seek to ensure secure and uninterrupted access to critical platforms and services, both during and after the transition, coordinating with the LGA and other key solution providers.
  - Legal and Compliance will oversee contract novation, asset ownership, directors' duties, and will play a key role in risk mitigation and ensure that all legal obligations are fulfilled as PSAA winds down its operations. It will work closely with the Governance workstream.
31. Theme 4 will focus on staff retention, knowledge transfer, and workforce planning. It will include the TUPE (or similar) process, staff support, development, communication, and ensuring that we have sufficient capacity to deliver both business-as-usual and our transition activities.
32. The Government's Transition Plan for reforming local audit and establishing the LAO provides the basis for our plan. We recognise that priorities and timings may evolve over time so we will regularly review our business plan as details of local audit reform become clearer and revise it as necessary.

## **Risk management**

33. We are committed to maintaining a robust and proportionate risk management framework that supports the achievement of our strategic objectives and vision and ensures accountability in the use of public funds.
34. We have embedded risk management across our governance, operations and culture. It is not a standalone process but an integral part of our planning, decision-making, and performance management. We are committed to proactively identifying, assessing, and mitigating internal and external risks that may impact on our operations, financial performance, reputation, and strategic objectives.

35. Our work to close down PSAA and transition to the LAO is a significant project so we will capture project-specific risks in a separate register. This will be regularly monitored and reviewed by the Board and at each Audit Committee meeting.

### **Activities during 2025 and beyond**

36. Table 1 below sets out the programme of activities and projects that we intend to deliver to support our vision and strategic objectives. The programme for Theme 1: Fulfil our statutory responsibilities as the 'appointing person' to the highest possible standards is detailed whereas the remaining three themes are lighter reflecting we are at the planning stage.
37. We will regularly review our programme of activities to ensure we provide the best possible service to our opted-in bodies as the Government's detailed plans to establish the LAO take shape. This will include ensuring sufficient resourcing and we will draw on external specialist skills when required.
38. Effective project management and communication are key to our delivery. Careful, coherent planning will help manage the interdependencies, and skillful communication, negotiation and an outward focus with opted-in bodies, firms and stakeholders will underpin relationship management.

## Table 1: Programme of Activities and Projects

### Theme 1 – Fulfil our statutory responsibilities as the ‘appointing person’ to the highest possible standards

Activities and Projects	Financial year	Delivery timescale
Appoint auditors to opted-in bodies as required in a timely manner aligned to our agreed policy	2025/26 2026/27 2027/28	As required
Set the scale fees for opted-in bodies informed by research and consultation	2025/26 2026/27 2027/28	Jul - Nov 2025
Research, develop and implement a solution to enable PSAA/LAO to directly bill audited bodies for fees starting in financial year 2028/29	2025/26 2026/27	Jan - Oct 2026
Determine fee variations for the 2024/25 and 2025/26 audits	2026/27 2027/28	Jan - Jul 2026 Dec - Jun 2027
Review the fee variation process to identify opportunities to increase efficiency and effectiveness through simplification and automation	2025/26 2026/27	Jul - Dec 2026 Jun - Nov 2027
Formally close and exit the AP1 contracts for audits up to 2022/23, as each firm completes delivery	2025/26 2026/27	Jul 2026 - Jul 2027
Data collection, monitoring and reporting for internal and external publication – quarterly contract monitoring report and data pack and annual contract monitoring report incorporating the annual client survey of audited bodies	2025/26 2026/27 2027/28	Quarterly reports Annual report within 6 months of backstop date
Continue to ensure efficient and effective governance and decision-making aligned to our statutory functions and good practice	2025/26 2026/27 2027/28	Throughout each year
Implement new and amended regulations: <ul style="list-style-type: none"> <li>Companies House reforms</li> <li>Data (Use and Access) Act 2025</li> </ul>	2025/26 2026/27	Throughout the period

### Theme 2 – Procurement

Activities and Projects	Financial year	Delivery Timescale
Explore the option to extend the Audit Services contracts. If decision is not to extend most of the audit services contracts, then initiate plans for a major procurement	2025/26	Sep 2025
Procurement of PSAA’s internal audit services 2025/26 to 2027/28	2025/26	Jun 2025 (complete)
Procurement or extension of legal services advice (two contracts: 1. procurement, contract and public law and 2. fatal flaws)	2025/26	Dec 2025
Consider the business case to implement a Contract Management system	2025/26	Sep - Oct 2025

### Theme 3 – Preparation to close down PSAA and transition to the LAO

Activities and Projects	Financial year	Delivery Timescale
Successful delivery of Comms and Engagement workstream	2025/26 2026/27	Throughout transition period
Successful delivery of Finance and Fees workstream	2025/26 2026/27	Throughout transition period
Successful delivery of Governance workstream	2025/26 2026/27	Throughout transition period
Successful delivery of Legal and Compliance workstream	2025/26 2026/27	Throughout transition period
Successful delivery of IT and Systems workstream	2025/26 2026/27	Throughout transition period

### Theme 4 – People

Activities and Projects	Financial year	Delivery Timescale
<p>Continue to support our staff to deliver to their full potential, remain motivated, and feel supported through:</p> <ul style="list-style-type: none"> <li>▪ frequent, open, honest and timely communication, including regular 121s with managers</li> <li>▪ annual appraisal of staff and review personal development aligned to company and personal career goals and our competency framework</li> <li>▪ in-person office days and workshops, approximately every six weeks</li> <li>▪ twice-yearly employee engagement surveys</li> <li>▪ review our resourcing every quarter to ensure sufficiency and alignment across our work</li> </ul>	2025/26 2026/27 2027/28	Throughout each year
Successful delivery of People workstream	2025/26 2026/27	Throughout transition period

# Measuring contract activity and our performance

## Environmental factors

39. Our work is heavily influenced by factors outside of our control relating to the wider context of local audit, most notably MHCLG plans to reform the local audit system.
40. Although we are largely unable to control them, we monitor the following facts and figures to provide a barometer for our work so we can assess the impact of material changes:
- Percentage of audit opinions delivered by the backstop date
  - Number of auditor appointments made
  - Percentage of bodies responded to our annual scale fees consultation
  - Number of approved fee variation requests
  - Number of 'unique matters' received into the General Enquiries mailbox
  - Total pageviews to our website
  - Freedom of Information requests received and responded to

## Key performance indicators (KPIs)

41. We will measure our performance in delivering our statutory role. Our performance against these indicators will be reviewed by the Board on a quarterly basis.

### Communications

- Percentage of bodies responding to our client survey
- Number of communications issued to s151 Officers and Audit Committee Chairs
- Number of media news articles produced or supported with a PSAA quote or mention

### Setting fees

- Processing of fee variations

### Managing Public Money

- Percentage of indirect costs to direct costs

### Being financially responsible

- Percentage of undisputed trade invoices paid within 10 days of the invoice date
- Percentage of non-staff expenditure authorised with a valid purchase order

### People

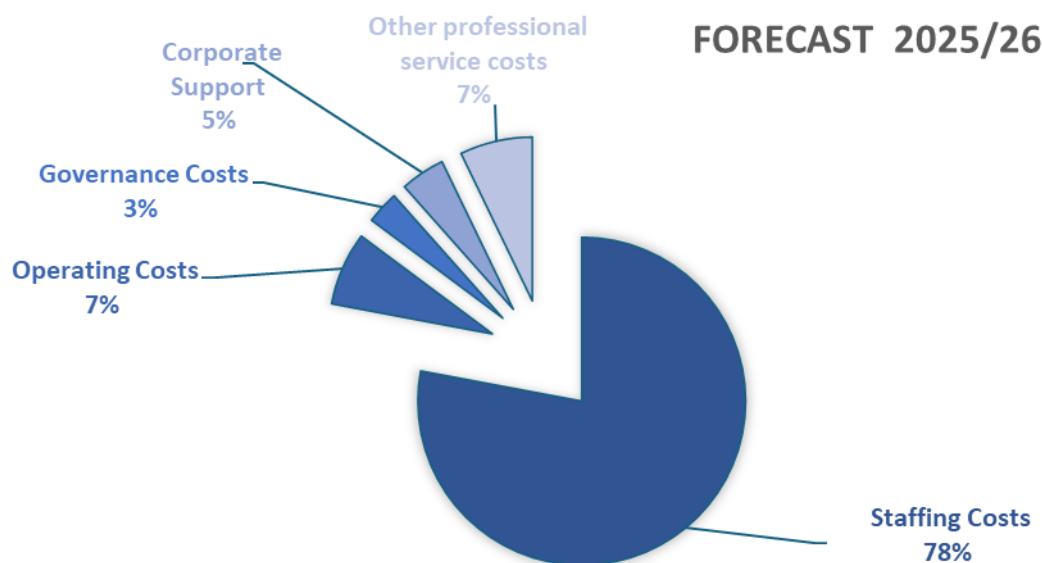
- All employees have an annual appraisal and personal development plan
- Employee satisfaction
- Workforce diversity (age, gender, ethnicity, disability)
- Sickness absence rate
- Employee retention rate
- Hours worked in excess of contracted hours
- Vacancy management

# Finances and resourcing

## Financial information

42. PSAA is committed to securing value for money to ensure we deliver our statutory objectives while minimising costs. We achieve this by constantly reviewing and assessing the necessity of all expenditure and our level of resources.
43. Our latest forecast for the end of 2025/26 shows a surplus of £4.3 million for the financial year. The cumulative surplus at the end of 2025/26 is £23.1 million, made up of £1.7 million generated from transitional arrangements and a projected £21.4 million from Appointing Person arrangements.
44. Our 2025/26 forecast income and firm remuneration are as follows:
- £136.9 million income from audit fees; and
  - £129.7 million remuneration paid to firms.
45. A significant portion of the 2025/26 forecast running costs is for staff as illustrated in Chart 1.

Chart 1: 2025/26 budgeted indirect running costs of £4.0m



46. Our Medium-Term Financial Plan (MTFP) shows the position on expected surplus, as detailed in Tables 4 and 5. The surplus is based on our current assumptions on expected 2025/26 scale fees and these will be firmed up and published by 30 November 2025. Each year the Board will consider the potential to make a distribution from the surplus and will take into account the latest information on the intention for PSAA's responsibilities to fold into the LAO.
47. Our MTFP reflects a healthy financial position. We operate on a not-for-profit basis. The Board has the option of approving a distribution of surplus funds to audited bodies if is satisfied that we have sufficient funds to pay for our operating expenses and manage our cash flow.

48. The Board reviews the company's financial position at every Board meeting, including the most up-to-date forecast. We approve our annual accounts following detailed scrutiny by and a recommendation to do so from the Audit Committee.