

**ESSEX POLICE, FIRE AND CRIME COMMISSIONER
FIRE & RESCUE AUTHORITY**
Essex County Fire & Rescue Service



Meeting Date	3 November 2017	Report Number	17/01
Report Author:	Mike Clayton, Finance Director & Treasurer		
Presented By	Glenn McGuinness – Assistant Director of Finance		
Subject	Appointment of Auditor to the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (The Commissioner)		
Type of Report:	Decision		

RECOMMENDATIONS

1. The Panel is asked to recommend whether the appointment of the external auditor for the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (the Commissioner) should be made by Public Sector Audit Appointments or whether Grant Thornton should be appointed.

BACKGROUND

2. The Authority's current external auditor is Ernst & Young LLP, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association with delegated authority from the Secretary of State. The Authority's current external audit fees are £35,000 per annum.
3. When the current transitional arrangements come to an end on 31 March 2018 the Authority will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
4. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Authority's audit must follow

OPTIONS AND ANALYSIS

5. There are two options open to the Commissioner under the Local Audit and Accountability Act 2014 (the Act):
 - 1.1.1 Option 1 To make a stand-alone appointment

6. In order to make a stand-alone appointment the Auditor Panel will need to determine whether they wish to support the appointment of Grant Thornton. Grant Thornton were successful in the procurement process for the appointment of an Auditor for Essex Police and the Essex Police and Crime Commissioner. The contract allows for the appointment of Grant Thornton to act as the Auditor to the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority as the successor body to the Essex Fire Authority under the Property Transfer Scheme. This scheme transferred all assets, rights and liabilities of the Essex Fire Authority to the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority.
7. Grant Thornton have quoted a fee of £28,880 for the Audit.
8. The appointment would need to be made by the 31 December deadline.

1.1.2 Option 2 Opt-in to the sector led body

9. In response to the consultation on the new arrangement the Local Government Association successfully lobbied for Authorities to be able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act. Public Sector Audit Appointments Ltd has gained approval from the Secretary of State to make auditor appointments on behalf of local authorities. They have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
10. The outcome of the process is a headline reduction of 18% in scale fees, this would reduce the Commissioner's audit fee to £29,213. The provisional appointment of an auditor through this process for the Essex Fire Authority was to re-appoint Ernst & Young.

FINANCIAL IMPLICATIONS

11. These are set out in the paper.

EQUALITY AND DIVERSITY IMPLICATIONS

12. None

WORKFORCE ENGAGEMENT

13. None

LEGAL IMPLICATIONS

14. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
15. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to

appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

16. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

