



AGENDA ITEM 13

Meeting: Joint Audit Committee / Independent Audit Committee (ECFRS)

Date: 24 September 2021

Report Title: External Auditors Procurement

Report by: Julia Berry, Head of Finance for the PFCC for Essex

Contact: Julia.berry@essex.police.uk

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Joint Audit Committee and the Independent Audit Committee (ECFRS) members with the information on the Public Sector Audit Appointments (PSAA) with a view of continuing to not participate in the PSAA national scheme.
- 1.2 In addition, this report covers the appointment of the external auditors for the financial year 2023/24.

2. Recommendations

- 2.1 That Chief Constable for Essex Police (CC), PFCC and PFCCFRA continue to not participate in the PSAA scheme for the financial year 2023/24. A formal response is required by 4 March 2022 in order to inform PSAA if we wish to opt-in to the scheme.
- 2.2 That PFCCFRA extends the contract for 2021/22 with Grant Thornton to be in line with CC and PFCC.
- 2.3 That CC, PFCC and PFCCFRA utilise an option to further extend the contract with Grant Thornton by one year to cover the financial period 2022/23.
- 2.4 That CC, PFCC and PFCCFRA engage 7F Commercial to procure the external audit contract for the financial years commencing 2023/24.

3. Background

- 3.1. Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014.
- 3.2. In July 2016, the Secretary of State for Housing Communities and Local Government 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 and the Local Audit (Appointing Person) Regulations 2015.
- 3.3. 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.
- 3.4. In the last appointing period only nine out of 485 qualifying authorities opted out of the national scheme with two subsequently opting in. Three out of the remaining seven opted out authorities were CC for Essex Police, Essex PFCC and Essex PFCCFRA.
- 3.5. The New PSAA tender will look to appoint new auditors from 2023/24. The timeline of the events to this point are:
 - W/C Sept 2021 – Issue Opt-in Invitations
 - 30 Sept 2021 – PSAA Procurement Strategy to be published
 - Feb 2022 – Procurement to commence
 - 4 March 2022 – Deadline for acceptance of the Op invitations
 - (May) Aug 2022 – Contract award decision
 - Autumn 2022 – Consultation on proposed appointments
- 3.6. PSAA lists the following main benefits to opting-in to the national scheme:
 - considerable expertise and experience in the role of appointing person
 - a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members – so it provides value for public money
 - avoids the need to undertake an auditor procurement and ongoing contract management activities (such as fee variation management), saving local time and effort
 - avoids the necessity (as required by the Act) to establish an Auditor Panel with an independent chair to oversee the procurement and running of the contract.
- 3.7. However, PSAA also admits to a significant backlog of delayed 2019/20 audit opinions which are still outstanding.
- 3.8. By not opting in to the PSAA's national scheme, CC, PFCC and PFCCFRA benefitted from the following:
 - CC, Essex PFCC and Essex PFCCFR are among of the few bodies that have had their 2019/20 audit undertaken and signed off within the statutory deadline. The expectation is that the audit 2020/21 will be similar (subject to the Pension fund audit being signed off on time).
 - By carrying out our own procurement we have more control over the auditor that we appoint. With PSAA we are assigned an auditor and we have no say over which auditor we have.
 - Where additional work has had to be undertaken, the audit fee increases appear to be lower than the increases seen under the PSAA contract (based on anecdotal information).

- An independent contract allows some level of negotiation directly with the auditor.
- This also results in a more personable approach if there are specific issues that need to be discussed an engaged on.

- 3.9. Although we did not opt in to the PSAA national scheme, CC, PFCC and PFCCFRA were still eligible to receive MHCLG grant to support affected local bodies meeting anticipated rises in audit fees.
- 3.10. The only disadvantage of not opting in to the PSAA national scheme that we are able to identify is the transactional savings of not carrying out our own procurement, but even that is quite subjective.
- 3.11. CC and PFCC have extended their contract with Grant Thornton for the financial year 2021/22 and have an option to extend this contract one more time to cover financial year 2022/23.
- 3.12. PFCCFRA were a party to the original contract with Grant Thornton which expired for the financial year 2020/21. There is an option to have an extension to the agreement in line with Essex Police and PFCC, i.e. to cover the financial years 2021/22 and 2022/23.
- 3.13. For the financial year 2023/24 CC, PFCC and PFCCFRA need to make a decision whether to opt in to the PSAA national scheme (the formal response needs to be submitted by 4 March 2022) or to engage 7F Commercial to procure the independent auditor contract.

4. Background papers



Benefits of opting into the PSAA.pdf



PSAA Presentation.pdf