

PFCC Decision Report

Report reference number: 168-21

Classification: Not protectively marked

Title of report:

External Audit Procurement and Public Sector Audit Appointments (PSAA)

Area of county / stakeholders affected: Countywide

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

Date of report: 2 December 2021

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1. Purpose of the report

- 1.1. The purpose of this report is to seek the PFCC's approval to continue not to participate in the Public Sector Audit Appointments (PSAA) national scheme.
- 1.2. In addition, this report covers the appointment of the external auditors for the financial year 2023/24 and beyond.

2. Recommendations

- 2.1. That the PFCC for Essex and the Chief Constable (CC) for Essex Police continue to not participate in the PSAA scheme for the five consecutive financial years commencing 1 April 2023.
- 2.2. That the PFCC and the CC utilise an option to further extend the external audit contract with Grant Thornton by one year to cover the financial period 2022/23.
- 2.3. That the PFCC and the CC engage 7 Force Commercial to procure the external audit contract for the financial years commencing 2023/24

3. Benefits of the proposal

- 3.1. By not opting in to the PSAA's national scheme, the PFCC and the CC benefitted and will continue to benefit from the following:

- 3.1.1. The PFCC and the CC are among the few bodies that have had their 2019/20 audit undertaken and signed off within the statutory deadline. The audit opinion for 2020/21 has now been signed and the accounts published.
- 3.1.2. 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.
- 3.1.3. 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).
- 3.1.4. An independent contract allows some level of negotiation directly with the auditor.
- 3.1.5. This also results in a more personable approach if there are specific issues that need to be discussed and engaged on.
- 3.2. Although we did not opt in to the PSAA national scheme, the PFCC and the CC were still eligible to receive MHCLG grant to meet anticipated rises in audit fees.
- 3.3. The only disadvantage of not opting in to the PSAA national scheme that we were able to identify is the transactional savings of not carrying out our own procurement, but even that is quite subjective.

4. Background and proposal

- 4.1. Public Sector Audit Appointments (PSAA) Limited was incorporated by the Local Government Association (LGA) in August 2014.
- 4.2. In July 2016, the then 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.
- 4.3. 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.
- 4.4. In the last appointing period, only nine out of 485 qualifying authorities opted out of the national scheme with two subsequently opting in. Two of the remaining seven opted out authorities were the CC for Essex Police and the PFCC for Essex.
- 4.5. The new PSAA tender will look to appoint new auditors from 2023/24. The timeline for this is as follows:

September 2021 – Opt-in invitations issued

30 September 2021 – PSAA Procurement Strategy published

February 2022 – Procurement to commence

11 March 2022 – Deadline for acceptance of the invitations to opt in

(May) August 2022 – Contract award decision
Autumn 2022 – Consultation on proposed appointments

- 4.6. 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.
- 4.7. However, PSAA also admits to a significant backlog of delayed 2019/20 audit opinions which are still outstanding.
- 4.8. Section 3 of the report (“Benefits of the Proposal”) lists the advantages of not opting into the scheme.
- 4.9. The contract between the PFCC, the CC and Grant Thornton commenced on 2 October 2017. The Essex Fire Authority (and subsequently the PFCCFRA) had an option to participate, which was exercised. The contract was for a period of three years with the option to extend for two further years in 12-month increments, subject to satisfactory performance. The PFCC and the CC have extended their contract with Grant Thornton for the financial year 2021/22 and have an option to extend this contract one last time to cover the financial year 2022/23.
- 4.10. For the financial year 2023/24, the PFCC and the CC need to make a decision as to whether to opt in to the PSAA national scheme (the formal response needs to be submitted by 11 March 2022) or to engage 7 Force Commercial to procure an independent external auditor contract.
- 4.11. If the decision is made to engage 7 Force Commercial to procure an independent external auditor contract, the process will have to be compliant with the Local Audit (Auditor Panel) Regulations 2014 and in with the terms of reference of the Joint Audit Committee for Essex Police and Independent Audit Committee for Essex County Fire and Rescue Service.
- 5. Alternative options considered and rejected**
- 5.1. An option not to extend the Grant Thornton contract by one year to cover the financial period 2022/23 was considered and rejected due to there being insufficient time to run a meaningful tender.
- 5.2. An option to opt into the PSAA national scheme was considered and rejected as the benefits of opting out were perceived to outweigh the drawbacks.

- 5.3. An alternative not to procure an independent external auditor was not considered as there is a statutory requirement for the PFCC, PFCC group and CC statements of accounts to be independently examined.

6. Police and Crime Plan

- 6.1. No direct implications for the Police and Crime Plan arise from this decision report.

7. Police operational implications

- 7.1. No direct operational implications arise from this decision report.

8. Financial implications

- 8.1. The 2020/21 independent audit fees were as follows:

PFCC	£47,000
CC	£12,000

- 8.2. The expectation is that these costs will inform the tender for procurement of independent external auditors from 1 April 2023 onwards.

9. Legal implications

- 9.1. Failure to have an independent external audit contract will result in a non-compliance with the Local Audit and Accountability Act (LAAA) 2014, other applicable law and the CIPFA / LASAAC code of practice.

10. Staffing implications

- 10.1. There are no direct staffing implications arising from this decision report.

11. Equality and Diversity implications

- 11.1. This decision is not expected to have any inequitable impact on individuals with protected characteristics.

12. Risks

- 12.1. There is a risk that the PFCC and CC will fail to procure an external auditor if they do not opt into the PSAA scheme. This risk would be mitigated by using the experienced 7 Force Commercial team to procure the contract; a team which had previous success in a similar requisitioning.

13. Governance Boards

- 13.1. The Joint Audit Committee recommended that the PFCC and CC remain outside of the PSAA national scheme at its meeting on 24 September 2021.
- 13.2. At the time of writing, this report is due to be considered by the PFCC's Essex Police Strategic Board on 14 December 2021.

14. Background papers



13. 20210924 PSAA
Report.docx

Report Approval

The report will be signed off by the PFCC Chief Executive and Chief Financial Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign:

Print: P. Brent-Isherwood

Date: 7 December 2021

Chief Finance Officer / Treasurer

Sign:

Print: Julia Berry

Date: 2 December 2021

Publication

Is the report for publication?

YES

NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

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.....None.....

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

Redaction

If the report is for publication, is redaction required:

1. Of Decision Sheet?

YES

2. Of Appendix?

YES

NO

NO

If 'YES', please provide details of required redaction:

.....N/A.....
.....

Date redaction carried out:

Treasurer / Chief Executive Sign Off – for Redactions only

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:

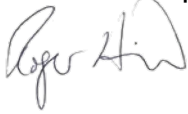
Print:

Chief Executive/Treasurer

Date signed:

Decision and Final Sign Off

I agree the recommendations to this report:

Sign: 

Print: Roger Hirst

PFCC

Date signed: 17 December 2021

I do not agree the recommendations to this report because:

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Sign:

Print:

PFCC/Deputy PFCC

Date signed: