



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 079-21

Government security classification Not protectively marked

Title of report: External Audit Procurement and PSAA

Area of county / stakeholders affected: Service wide

Report by: Austin Page, Finance and Compliance Manager

Date of report: 14 December 2021

Enquiries to: Neil Cross, Chief Finance Officer

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 Essex PFCCFRA continues not to participate in the PSAA scheme for the five consecutive financial years commencing 1 April 2023.
- 2.2. That the Essex PFCCFRA utilises an option to extend the contract with Grant Thornton by one further year to cover the financial period 2022/23.
- 2.3. That the Essex PFCCFRA engages 7F 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 PFCCFRA benefitted and will continue to benefit from the following:

- 3.1.1. The PFCCFRA is one of 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 outside of the PSAA contract 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.
- 3.1.6. Although we did not opt in to the PSAA national scheme, the PFCCFRA was still eligible to receive MHCLG grant to support affected local bodies meeting anticipated rises in audit fees.
- 3.1.7. 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 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. 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.
- 4.3. 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 the Chief Constable of Essex Police, the Essex PFCC and the Essex PFCCFRA.
- 4.4. The new PSAA tender will look to appoint new auditors from 2023/24. The timeline of the events to this point is:
 - September 2021 – PSAA issued opt-in invitations
 - 30 September 2021 – PSAA Procurement Strategy published

- February 2022 – Procurement to commence
- 11 March 2022 – Deadline for acceptance of the opt-in invitations
- August 2022 – Contract award decision
- Autumn 2022 – Consultation on proposed appointments

4.5. 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.

4.6. However, PSAA also admits to a significant backlog of delayed 2019/20 audit opinions which are still outstanding.

4.7. Section 3 (“Benefits of the Proposal”) of the report lists the advantages of not opting in to the scheme.

4.8. The contract between the PFCCFRA (previously Essex Fire Authority) and Grant Thornton commenced on 2 October 2017. The contract was for a period of three years with the option to extend for two further years in twelve month increments, subject to satisfactory performance.

4.9. The PFCCFRA has extended its contract with Grant Thornton for the financial year 2021/22 and has an option to extend this contract to cover financial year 2022/23.

4.10. For the financial year 2023/24 the PFCCFRA needs to make a decision whether to opt in to the PSAA national scheme (the formal response needs to be submitted by 11 March 2022) or to engage 7F Commercial to procure the independent auditor contract. If the decision is made to engage 7F Commercial to procure the independent auditor contract, the process will have to be compliant with the statutory regulations and in accordance with the terms of reference of the Independent Audit Committee for Fire and Rescue.

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 insufficient time to run a meaningful tender.

5.2. An option to opt in to 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 the independent auditor was not considered as there is a statutory requirement for the PFCCFRA statement of accounts to be independently examined.

6. Strategic priorities

6.1. No direct implications for the Fire and Rescue Plan arise from this decision report.

7. Operational implications

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

8. Financial implications

8.1. The 2020/21 independent audit fee was as follows:

PFCCFRA	£45,000
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8.2. The expectation is that these costs will inform the tender for procurement of the independent auditors from 1 April 2023 onwards.

9. Legal implications

9.1. Failure to have an independent audit contract will result in 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 PFCCFRA will fail to procure an external auditor if it does not opt in to the PSAA scheme. This risk is mitigated by collaborating with Essex Police on the procurement, utilising the experience of both parties. The collaboration has had previous success in a similar requisitioning.

13. Governance Boards

13.1. The Independent Audit Committee recommended that the PFCCFRA remains outside of the PSAA national scheme at its meeting on 24 September 2021.

14. Background papers

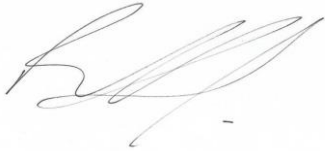
14.1. External Auditors Procurement – Report to the Independent Audit Committee (24 September 2021)

Decision Process (079-21)

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

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Sign: ... Date: ...4/1/22.....

Step 1B – Consultation with representative bodies

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

.....NA.....

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority's ("the Commissioner's") Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign: 

Print: P. Brent-Isherwood

Date: 3 March 2022

Chief Finance Officer

Sign: 

Print:Neil Cross...

Date: ... 16/12/21

Step 3 - Publication

Is the report for publication? **YES**

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

.....None.....

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

Step 4 - Redaction

If the report is for publication, is redaction required:

- 1 Of Decision Sheet **YES/NO**
- 2 Of Appendix **YES/NO**

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

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

Date redaction carried out:

If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: Print:

Date signed:

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (PFCC)

Print: Roger Hirst

Date signed: 7 March 2022