

Meeting: Combined Fire Authority**Date: 14th December 2016****Subject: External Audit Procurement 2018/19****Report by: The Treasurer****Author: Adam Stretton (Area Manager – Finance and ICT)****For: Decision****1. Purpose**

The purpose of this report is to seek approval from the Combined Fire Authority (CFA) to the procurement and appointment of the CFA's external auditors from 2018/19.

2. Recommendations

The CFA is asked to agree that Public Sector Audit Appointments Limited (PSAA Ltd) is appointed to procure the external audit contract following a sector-led procurement option to be effective from 2018/19.

3. Executive Summary

3.1 Since 1st April 2015, the CFA has had its external audit provided by KPMG. KPMG are contracted to the end of financial year 2017-18. The CFA now need to appoint its own independent external auditors for the next five year period before 31st December 2017.

3.2 A new local audit framework came into effect from 1st April 2015 and moved provision for audit functions from the audit commission to the private sector. This leaves the CFA free to appoint their own independent external auditor from a more competitive and open market.

4. Report Detail

4.1. On the 1st April 2015, contracts were already in place for local government external audit appointments that covered audits up to and including the financial year 2016/17. Earlier this calendar year, the government decided that these contracts (including the CFA's current external audit arrangements) would be extended by one year to the end of the 2017/18 accounts.

4.2 Save as where the Sector Led Procurement Option is taken (as explained below), the new regulations require the CFA to have an audit panel, which will be responsible for recommending who the external auditor should be. This panel

must include a majority of independent (i.e. not elected) members and have an independent Chair.

- 4.3 To comply with regulations, the new external auditor needs to be appointed by 31 December 2017 to commence work from April 2018. This means that the procurement exercise would need to start sometime between March and September 2017, with an Audit Panel being established early in 2017.
- 4.4 Procurement options available to the CFA include;
- the re-appointment of the incumbent auditor for a short period;
 - the running our own procurement exercise;
 - the running a combined procurement with other regional and/or local authority's/CFA's;
 - the use of an existing public sector framework; and,
 - a sector-led procurement
- 4.5 The preferred route to procurement is through a sector-led body (PSAA Ltd) undertaking a bulk procurement process. This is allowed for within the new audit legislation. This option provides an administratively easy route and will, most likely, have the greatest element of specialist audit procurement expertise. It also provides good purchasing power, although with a little less autonomy than some other options, but should afford easier management of potential auditor independence issues than other combined procurement approaches. It is the most similar option to the current arrangements. It is proposed that CFA approve the procurement of the external audit contract by PSAA Ltd following a sector-led procurement option.
- 4.6 PSAA Ltd has written and invited the CFA to become an opted in authority in accordance with the Regulations. This invitation cannot be accepted without CFA approval. If approved, a form of notice of acceptance is required to be returned by 9th March 2017.

5. Report Implications / Impact

5.1. *Legal (including crime and disorder)*

The appointment of external auditors and the option to use a sector led body is contained in The Local Audit and Accountability Act 2014 and the Local Audit (Appointing person) Regulations 2015.

Present information indicates that pursuing the sector-led procurement option would not require the CFA to appoint an Audit Panel, whereas the other options require the CFA to appoint, consult with and follow the advice of its appointed Audit Panel in relation to its proposals for selecting and appointing an external auditor.

Prior to accepting the PSAA Ltd invitation, a legal review of their invitation and terms of reference will be undertaken and copies of procurement documents obtained.

5.1. ***Financial (including value for money, benefits and efficiencies)***

The external audit fee remained as agreed at £29,247.

5.2. ***Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)***

External Audit provides reassurance to the general public that the CFA is meeting its statutory obligations. They also work with Internal Audit and the Treasurer in ensuring that effective internal control procedures are in place.

5.3. ***Staff, Service Users and Stakeholders (including the Equality Impact Assessment)***

None.

5.4. ***Environmental***

None.

5.5. ***Impact upon Our Plan Objectives***

The CFA's Strategic Objective 4 is the attainment of efficiency and the provision of a value for money service. The provision of external audit assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

6. **Background Papers**

None

7. **Appendices**

None.