

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 6

Meeting: Overview and Scrutiny Committee

Date: 3rd September 2014

Subject: Appointment of External Auditor

Report by: The Treasurer

Author: Trevor Peel

For: For information only

1. Purpose

The purpose of this report is to provide the Overview and Scrutiny Committee with an update on the procurement of audit services following a recent email from the Audit Commission to the Chief Fire and Rescue Officer (CFO)

2. Executive Summary

The Audit Commission has a statutory duty to appoint external auditors to local public bodies under section 3 of the Audit Commission Act 1998. This duty requires the Commission to consult local government bodies on the auditor appointment. They have written to the CFO to consult him on the appointment of KPMG LLP to audit the accounts of the Combined Fire Authority (CFA) from 2015/16 for two years. The appointment will start on 1st April 2015. The consultation on the proposed auditor appointment closed on 25th July 2014. No representations were made on the CFA's behalf.

3. Report Detail

- 3.1 The Audit Commission wrote to the CFO on 31st July 2012 confirming the appointment of PricewaterhouseCoopers LLP (PwC) as external auditor to audit the Combined Fire Authority's (CFA) accounts for five years from 2012/13. This appointment was made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 26th July 2012.
- 3.2 The Audit Commission announced on 2nd April 2013 that it would re-tender the audit contracts awarded to audit firms in 2006 and 2007, representing approximately 30% of the local public audit market. The procurement was completed in April 2014 and the Commission is now making auditor appointments under the new contracts. The contracts are in addition to those let in 2012 covering the remaining 70% of the local public bodies to which the Commission appoints the

auditor.

- 3.3 Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. A transitional body will be established from 1st April 2015 to oversee the Commission's audit contracts and will have responsibility for the existing statutory functions relating to auditor appointments.
- 3.4 The transitional body will manage the contracts until their expiry in 2017 (or 2020 if the Department for Communities and Local Government [DCLG] opts to extend some or all of the contracts). This is the point at which local public bodies will be required to have their own auditors in place or to have agreed to participate in any collective procurement arrangements that are established.
- 3.5 The Audit Commission has a statutory duty to appoint external auditors to local public bodies under section 3 of the Audit Commission Act 1998. This duty requires the Commission to consult local government bodies on the auditor appointment. They have written to the CFO to consult him on the appointment of KPMG LLP to audit the accounts of the Combined Fire Authority (CFA) from 2015/16 for two years. The appointment will start on 1st April 2015. The consultation on the proposed auditor appointment closed on 25th July 2014. No representations were made on the CFA's behalf.
- 3.6 KPMG LLP is a long standing provider of audit services for the Audit Commission, having been involved in these audits since the Audit Commission first used private firms to undertake work on their behalf in the 1980s. Operating from a network of offices throughout the UK, the firm has a highly experienced and dedicated Public Sector Audit department that currently audits over 240 bodies in the Local Government, Health and Criminal Justice sectors throughout England together with a significant wider Public Sector client base.
- 3.7 The Audit Commission Board will consider all proposed appointments at its meeting scheduled for 4th December 2014. They aim to write to all bodies to confirm the Commission's decision on the appointment of the auditor by 31st December 2014.

4. Report Implications / Impact

4.1 *Legal (including crime and disorder)*

These are included in the main body of the report.

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

The annual budget for 2014/15 contains a provision of £48,340 for the costs incurred for External Audit. PwC are currently anticipating charging a total audit fee of £38,996 for the 2013/14 audit.

4.3 ***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.

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

None.

4.5 ***Environmental***

None.

4.6 ***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.

5. Recommendations

The Overview and Scrutiny Committee is asked to note the report.

6. Background Papers

- a) Update on the Procurement of External Audit Services (Policy Committee Report - 6th November 2013)
- b) Consultation on auditor appointment from 2015/16 - Audit Commission email of 23rd June 2014

7. Appendices

None.