

Status of Report: Public

Meeting: Combined Fire Authority

Date: 2 December 2021

Subject: National Scheme for Auditor Appointments managed by the Public Sector Auditor Appointments Ltd

Report by: The Treasurer

Author: Colin Sharpe

For: Decision

Purpose

1. This report concerns the appointment of an external auditor to the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA) for the five-year period from 2023/24 to 2027/28. A supplementary report will be circulated to members nearer to the meeting, following the Corporate Governance Committee meeting on 24 November 2021.

Recommendation

2. It is recommended that the CFA has regard to the information in this and the subsequent supplementary report.

Executive Summary

3. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The CFA opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments Ltd (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
4. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
5. If the CFA wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at a meeting of the full CFA following consideration by the Corporate Governance Committee on 24 November 2021. The opt-in period starts on 22 September 2021 and closes on 11 March 2022.

6. A supplementary report to this report is being produced by officers. This will detail the recommendations to the CFA of the Corporate Governance Committee following its meeting on 24 November 2021, which is after the agenda for this meeting was circulated to members.

Background

7. Under the Local Government Audit and Accountability Act 2014 (“the Act”), the CFA is required to appoint an auditor to audit its accounts for each financial year. The CFA has three options:
 - i. To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - ii. To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - iii. To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
8. In order to opt into the national scheme, a decision must be made at a meeting of the full CFA.

The national auditor appointment scheme

9. PSAA is specified as the ‘appointing person’ for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

The invitation

10. PSAA is now inviting the CFA to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the CFA’s auditor.

The way forward

11. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the CFA (meeting as a whole).

12. The CFA then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022). This is attached at Appendix B.
13. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Report Implications/Impact

14. Legal (including crime and disorder)

The relevant legislation is the Local Audit and Accountability Act 2014 and the subordinate Local Audit (Appointing Person) Regulations 2015. Under the provisions the CFA is obliged to:

- appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year
- follow the process contained therein
- allocate the appointment as a function of the CFA

Through the Act and the Regulations, the Secretary of State has appointed PSAA as the appointing person for the purposes of the audit function. Through the proposal to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors, the CFA will be meeting its legal requirement with regards to the appointment of a local auditor as a result of the above legal framework.

The process detailed within the report that will be taken by PSAA to appoint the provider will comply with the procurement requirements and is therefore considered a compliant route of appointment in procurement terms.

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

It is likely that current external audit fee levels will increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local (external) audit market.

Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.

If the national scheme is not used, additional resource would be needed to establish an auditor panel and conduct a local procurement.

Until a procurement exercise is completed it is not possible to state what, if any, additional funds may be required for audit fees from 2023/24.

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

The principal risks are that the CFA:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA.

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

There are no staff, service user or stakeholder implications arising from this report.

18. Environmental

There are no environmental implications arising from this report.

19. Impact upon "Our Plan" Objectives

Effective audit supports the strategic aim of demonstrating value for money.

Background Papers

Report to the Corporate Governance Committee 24 November 2021 - National Scheme for Auditor Appointments managed by the Public Sector Auditor Appointments Ltd

<https://leics-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>

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