

ROYAL BERKSHIRE FIRE AUTHORITY



COMMITTEE	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	20 OCTOBER 2021
SUBJECT	APPOINTMENT OF EXTERNAL AUDITOR
LEAD OFFICER	CONOR BYRNE, HEAD OF FINANCE AND PROCUREMENT
LEAD MEMBER	N/A
EXEMPT INFORMATION	N/A
ACTION	FOR DECISION

1. EXECUTIVE SUMMARY

- 1.1 To seek agreement from the Committee to opt into the national scheme for appointing local auditors.

2. RECOMMENDATIONS

That the Committee:

- 2.1 **AGREES** that the Authority should opt into the national scheme for appointing local auditors and **RECOMMENDS** this course of action to the Fire Authority.

3. REPORT

- 3.1 PSAA (Public Sector Audit Appointments Ltd) has issued its formal invitation (**Appendix A**) to the Authority to opt into the national scheme to appoint external auditors. This will provide external audit arrangements for five years commencing 1 April 2023.
- 3.2 In relation to appointing its external auditors, the Authority has the option to arrange its own procurement should it not wish to join the national collective scheme administered by PSAA.
- 3.3 PSAA's first appointing period ran for five years from 1 April 2018. The procurement exercise to appoint firms to deliver audits over this period attracted very competitive bids.
- 3.4 However, soon after this process was completed, a series of financial crises and failures in the private sector gave rise to questions about the role of

auditors and the focus and value of their work. At the same time, audit firms were experiencing growing recruitment and retention challenges which have led to delays in the publication of audited financial statements.

- 3.5 PSAA has stated that one of its key aims for the next procurement exercise is to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders.
- 3.6 In summary, given the current challenging market conditions, it appears that opting into the PSAA's sector-led scheme provides the best chance to solve the current issues with our external audit service.

4. CONTRIBUTION TO STRATEGIC COMMITMENTS:

- 4.1 Commitment 5 – We will ensure that Royal Berkshire Fire and Rescue Service provides good value for money.

5. FINANCIAL IMPLICATIONS:

- 5.1 Based on prior experience, it seems that the most likely way to secure competitive arrangements in a suppliers' market is to tender collectively through the PSAA.
- 5.2 PSAA will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies.
- 5.3 PSAA will also continue to seek to minimise its own costs (which represent approximately 4% of overall scheme costs).
- 5.4 As PSAA is a not-for-profit company any surplus funds will be returned to scheme members. For example, in 2019, £3,170 was refunded to this Authority.

6. LEGAL IMPLICATIONS:

- 6.1 In accordance with the relevant statutory regulations, a decision to opt into the national scheme must be taken at a meeting of the full Authority on the recommendation of its 'audit panel'.
- 6.2 In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 6.3 PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. It is also responsible for overseeing issues of auditor independence and monitoring contractual compliance by auditors.

- 6.4 The Authority must notify PSAA of its decision to opt into the national scheme by 11 March 2022.
- 6.5 An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.
- 6.6 Section 8 of the Local Audit and Accountability Act 2014 ('the Act') requires the Authority to consult its auditor panel and take its views into account when selecting and appointing an auditor. To support transparency of the appointment, section 8 of the Act also requires the Authority to publish a notice on its website within 28 days of making the appointment that: states it has made the appointment; who the appointed auditor is; sets out the auditor panel's advice; and if that advice has not been followed, the Authority's reasons for not following it.

7. EQUALITY AND DIVERSITY IMPLICATIONS:

- 7.1 None

8. RISK IMPLICATIONS:

- 8.1 The current delays in signing off our financial statements is extremely troubling, creating disruption and reputational damage to the Authority. Unfortunately, there are no easy solutions to fixing this issue but it is hoped, that by opting into the national scheme, PSAA will be able to exert more pressure on audit firms to conclude audits within the timeframe set out in Regulations.
- 8.2 There is a risk that PSAA's procurement exercise fails to attract sufficient capacity to enable auditor appointments to every opted-in body. To mitigate against this risk, PSAA has fall-back options to extend one or more existing contracts for 2023/24 and also 2024/25.

9. CONSISTENCY WITH DUTY TO COLLABORATE:

- 9.1 The recommended course of action is a national procurement exercise which should deliver best value for the Authority.

10. PRINCIPAL CONSULTATION:

- 10.1 The Chief Fire Officer has noted the contents of the report.
- 10.2 The Monitoring Officer has been consulted.

11. BACKGROUND PAPERS:

11.1 None

12. APPENDICES:

12.1 Appendix A - Invitation to opt into the national scheme for auditor appointments.

13. CONTACT DETAILS:

13.1 Conor Byrne - Head of Finance and Procurement
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