



Buckinghamshire & Milton Keynes Fire Authority

Meeting and date: Overview and Audit Committee, 10 November 2021

Report title: Appointment of External Auditors

Lead Member: Councillor David Hopkins

Report sponsor: Mark Hemming

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Action: Decision

Recommendations:

That the Authority be recommended to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Executive summary:

This report sets out proposals for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24.

The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Authority opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23 (see Background Papers).

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.

The sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Authority than a procurement undertaken locally because:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements
- if it does not use the national appointment arrangements, the Authority will need to establish its own auditor panel with an independent chair and

independent members to oversee a local auditor procurement and ongoing management of an audit contract

- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

If the Authority wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Authority. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

Financial implications:

There is a risk that current external audit fee levels could 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 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 a large-scale collective procurement arrangement.

If the national scheme is not used some additional resource may 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 resource may be required for audit fees from 2023/24.

Risk management:

The principal risks are that the Authority:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation
- 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.

Legal implications:

Under the Local Audit and Accountability Act 2014 ("the Act"), the Authority is required to appoint an auditor to audit its accounts for each financial year. The Authority has three options:

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt-in to 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).

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 Authority (meeting as a whole), except where the authority is a corporation sole.

Section 7 of the Act requires a relevant Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Section 8 governs the procedure for appointment including that the Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 12 makes provision for the failure to appoint a local auditor. The Authority must immediately inform the Secretary of State, who may direct the Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Privacy and security implications:

No direct impact.

Duty to collaborate:

A 'sector led body' will ensure collaboration with the largest number of public sector bodies.

Health and safety implications:

No direct impact.

Environmental implications:

No direct impact.

Equality, diversity, and inclusion implications:

No direct impact.

Consultation and communication:

Section 8 of 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.

Background papers:

Appointment of External Auditors. Fire Authority. 11 October 2016.

https://bucksfire.gov.uk/documents/2020/03/fire_authority_agenda_191016.pdf/

(pp. 19-21)

Appendix	Title	Protective Marking
1	Invitation to opt into the national scheme for auditor appointments from April 2023	None