

Auditor Appointment 2023/24 JASC report

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1. Purpose of this report

The purpose of this report is to inform the Panel of the Warwickshire response to the auditor appointment consultation and the subsequent assurances and reply from PSAA.

Recommendation

For the JASC to note the letter sent to PSAA in response to the consultation which closed on the 14th November.

For the JASC to note the responses received from PSAA, dated 15th November 2022.

For the JASC to note the slide presentation pack presented to the PSAA panel on 3rd November 2022.

Background

In March, both the PCC and Chief Constable opted in to the PSAA auditor appointment process, after carefully considering the options for securing statutory audit provision from 2023/24 onwards. As part of the decision making process, the Commissioner and Chief Constable, sought the views of the Joint Audit and Standards Committee. The Committee received a full report at their March meeting on the options and process for securing external audit provision. The Committee supported the approach to opt in and join the national procurement process, and the Chief Constable and Commissioner duly informed PSAA of their wish to opt in to the process.. The vast majority of the circa 470 public bodies nationally also chose to participate, which included all bodies in Warwickshire.

During the summer and early autumn the procurement process has been underway by PSAA, with the aim of securing the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

Executive Summary

The PSAA procurement process has been extremely challenging to meet their intended aim, with a number of procurement processes having to be undertaken to secure enough supply.

The challenges in the external audit sector have been well documented, and the objectives for PSAA were to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;

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- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.

In early October, PSAA announced that they had have offered contracts to six suppliers, retaining the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young. The former supplier KPMG had also been offered contracts as had two new suppliers Bishop Fleming and Azets Audit Services.

PSAA also advised bodies that they should anticipate a major re-set of total fees for 2023/24 involving an increase in the order of 150%, although the actual total fees will be dependent on the amount of work ultimately required.

Later in October, Warwickshire, like all opted in bodies was notified of their auditor appointment, and a consultation period began, with responses due by the 14th November 2022 bac to PSAA.

Warwickshire Chief Constable and PCC have been appointed Azets Audit services for the 2023/24 audit for a period of 5 years.

A letter has been received from JASC members to the Commissioner and Chief Constable seeking assurances and making recommendations to them regarding the appointment. The issues raised by the JASC were incorporated into the consultation response sent to PSAA on the 14th November. The letter is reproduced as part of this report.

A response from PSAA was received on the 15th November, and is included with this report. It provide details in response to the issues raised.

As an aside to the consultation process on auditor appointments, the Treasurer has contacted Jill Penn, Treasurer at Norfolk PCC, who sits on the PSAA Panel, to seek assurances regarding the PSAA process. The Treasurer is aware that Azets undertake the internal audit function for Police Scotland, and has also spoken to Alasdair Corfield the Deputy CFO at Police Scotland to gain any further information regarding Azets Audit Services as they are largely unknown to us. The Treasurer has also been made aware that Azets have been appointed, subject to the consultation process of Staffordshire police and PCC, and all five of the Warwickshire district and borough councils.

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Jill Penn provided an overview of the PSAA process and also feedback from her recent PSAA panel meeting on the 3rd November. The slides are reproduced for information in support of this report, the relevant sections of note relate to the procurement outcomes, and making auditor appointments.

Clearly, the report to the PSAA Panel outlines a perhaps more challenging procurement process than envisaged to secure adequate supply of all opted in bodies. Some of the PSAA procurement objectives remain and these will need to be addressed. However, the Treasurer and Commissioner are grateful for and accept the points made by Julie Schofield from PSAA in her letter dated 15th November, a response is still awaited regarding the representation made in relation to the additional pressures and disproportionate effect that a change in auditor will have given the recent journey that Warwickshire have been on and the associated challenges that this will undoubtedly bring for a small finance team. Any further updates will be provided verbally at the meeting if they are received.

Notwithstanding this response, the Treasurer and Director of Finance will endeavour to ensure that the good work of the finance team continues and that positive relationships continue with our external audit providers to meet statutory regulations.