

For Publication

Bedfordshire Fire and Rescue Authority  
Audit and Standards Committee  
14 March 2019  
Item No. 7

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**REPORT AUTHOR:** CHIEF FIRE OFFICER  
**SUBJECT:** ERNST & YOUNG QUALITY ASSURANCE PROCESSES

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For further information on this Report contact: Karen Daniels  
Service Assurance Manager  
Tel: 01234 845013

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Background Papers: None

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Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	✓
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New			

*Any implications affecting this report are noted at the end of the report.*

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## **PURPOSE:**

To consider the quality assurance processes in place for the Fire and Rescue Authority's External Audit arrangements.

## **RECOMMENDATION:**

For the Audit and Standards Committee to consider the report and confirm the effectiveness of the quality assurance processes of the Fire and Rescue Authority's external auditors Ernst and Young.

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### 1. Introduction

- 1.1 At the Audit and Standards Committee meeting on 6 December 2018, it was requested that a report be presented at a future meeting to consider the effectiveness of the Authority's external auditors quality assurance processes. This was following a similar report on Internal Audit and given the significant concerns raised nationally about the big four auditing firms in the United Kingdom.

### 2. Background

- 2.1 In 2016, the Authority opted to participate in the Public Sector Audit Appointments (PSAA) arrangements for the provision of external audit. This would be with effect for the audit of 2018/19 accounts onwards. The Authority's external auditors at the time were Ernst & Young (E&Y) and prior to this the Audit Commission.

The PSAA national scheme for external auditor appointments concluded in 2017, with the continuation for the Authority of E&Y for the accounting periods 2018/19 to 2022/23.

Under the PSAA scheme, it avoids certain actions for the Authority including:

- Monitoring the independence of the appointed auditor for the duration of the appointment,
- Dealing with the replacement of the auditor if required; and
- Managing the contract with the auditor.

PSAA will also monitor the ongoing independence of external auditors and ensure adherence to the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice and the Statement of Responsibilities issued by PSAA.

### 3. External Audit Services

- 3.1 E&Y attend all Audit and Standards Committee meetings where Members can review when presented, the Audit Strategy, Progress and Annual reports. This provides the Authority the opportunity to ask questions, challenge reports and request clarification to provide greater transparency.

E&Y will annually provide an opinion on whether the Authority's financial statements give a true and fair view of the Authority's financial position at 31 March and the income and expenditure for that year ended. E&Y will also provide a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

- 3.2 The Temporary Assistant Chief Officer as Treasurer, regularly meets with the Authority's Engagement Partner Neil Harris, Associate Partner at E&Y.

### 4. Ernst and Young Transparency Report

- 4.1 In 2018 Ernst and Young Published a Transparency report. The document provides a comprehensive overview of the quality assurance processes across the firm, including the Government and Public Sector engagements. It provides information on from an E&Y perspective:-

- Our culture and tone at the top
- Our response to market reviews and the concept of 'Trust in Audit'.
- Our sustainable audit quality programme, including our internal and external quality review processes.
- How we manage our people, including diversity and inclusiveness.
- Our financial results and performance.
- Our risk management arrangements.
- Our legal and governance structures.

For information on the full report click on the link:- [https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/\\$File/ey-uk-2018-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/$File/ey-uk-2018-transparency-report.pdf)

4.2 The copy of the section of the report specifically relating to 'Trust in audit' is appended to this report.

**PAUL FULLER CBE QFSM MStJ DL  
CHIEF FIRE OFFICER**