

Public Document Pack
**Audit and Standards
Committee
17 January 2022**



Time and venue:

10:00am in the Ditchling & Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB

PLEASE NOTE: This meeting is a public meeting. The number of public seats, however, are limited and need to be carefully managed to ensure that the meeting is Covid-secure. For this reason, we would like to ask that anyone intending to attend as a member of the public, contacts the Democratic Services team in advance by email: committees@lewes-eastbourne.gov.uk. Anyone attending the meeting will be requested to check in at the venue upon arrival and to wear a face covering for the duration of the meeting and while in the building, unless you have a medical exemption. **All attendees are also requested to take a lateral flow test before attending the meeting.**

Membership:

Councillor Julian Peterson (Chair); Councillor Adrian Ross (Vice-Chair); Councillors Christine Brett, Phil Davis, Isabelle Linington, Sean MacLeod and Christine Robinson

Quorum: 4

Published: Friday, 7 January 2022

Agenda

1 Minutes (Pages 5 - 8)

To confirm and sign the minutes of the previous meeting held on 15 November 2021 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

5 Written questions from councillors

To deal with written questions from councillors pursuant to Council Procedure Rule 12.3 (page D8 of the Constitution).

6 Arrangements for Appointing External Auditors (Pages 9 - 24)

Report of Chief Finance Officer

7 2022/23 Treasury Management Strategy (*to follow*)

Report of Chief Finance Officer

8 Date of next meeting

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 14 March 2022 in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am.

Information for the public

Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

Filming/Recording:

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Public participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests:

Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address:

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that Committee or Sub-Committee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

Other participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Democratic Services

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

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Audit and Standards Committee

Minutes of the meeting held in the Ditchling & Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB on 15 November 2021 at 10:00am

Present:

Councillor Julian Peterson (Chair);
Councillors Adrian Ross (Vice-Chair), Christine Brett, Phil Davis, Isabelle Linington and Christine Robinson

Officers in attendance:

Oliver Dixon (Monitoring Officer and Head of Legal Services)
Lee Ewan (Counter Fraud Investigations Manager)
Jackie Humphrey (Chief Internal Auditor)
Jennifer Norman (Committee Officer, Democratic Services)
Ola Owolabi (Deputy Chief Finance Officer, Corporate Finance)

27 Election of Vice-Chair

Resolved:

That Councillor Adrian Ross be elected Vice-Chair of the Audit and Standards Committee for the remainder of the 2021/2022 municipal year.

28 Minutes

The minutes of the meeting held on 15 November 2021 were submitted and approved, and the Chair was authorised to sign them as a correct record.

29 Apologies for absence/declaration of substitute members

Apologies for absence were received from Councillor Sean MacLeod and Homira Javadi (Chief Finance Officer).

30 Declarations of interest

There were none.

31 Urgent items

There were none.

32 Written questions from councillors

There were none.

33 Change in the order of items on the agenda

Agenda item 10 (External Auditor Appointment Arrangements) was taken prior to that of agenda items 7 (Annual report on Covert Surveillance Management), 8 (Audit and Counter Fraud Work Quarterly Report) and 9 (Treasury Management Quarter 2 Report).

34 External Auditor Appointment Arrangements

The Committee considered the report which outlined the timeline and options available to the Council with regard to appointing an External Auditor when the current arrangements concluded.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings, highlighting paragraph 3.3, which set out the three options available to the Council in respect of appointing its External Auditor for the five financial years from 2023/24.

The Committee considered the three options and discussed procurement, cost, the logistics of an audit panel, PSAA (Public Sector Audit Appointments) deadlines and liaising with Members of Eastbourne Borough Council regarding the appointment of External Auditors.

The Committee queried the Council's share in respect of figures highlighted in bullet point six on page 60. The DCFO responded that he would clarify the amount and report back to Committee.

The Chair, on behalf of the Committee, thanked Officers for their continued hard work.

Resolved:

- 1) That the decision over which option to recommend to full Council regarding the appointment of External Auditors from 2023/24, be deferred to the next meeting of the Committee on 17 January 2022;
- 2) That Officers formally write to other local authorities in the surrounding areas to seek expressions of interest for a joint procurement exercise;
- 3) That Officers garner expressions of interest from 9 auditors in providing external audit services to the Council outside of the PSAA arrangement, subject to professional procurement advice as to a lawful approach; and
- 4) That Officers provide clarity on arrangements and fees in respect of a possible audit panel.

35 Annual report on Covert Surveillance Management

The Committee received a report which sought to update Members on activity under the Council's Covert Surveillance Policy.

The Counter-Fraud Investigations Manager (and RIPA Monitoring Officer) presented the report and its findings.

The Committee discussed monitoring possible fraud activity through the use of social media, fly tipping, and whether Officers had found a need to use surveillance.

The Counter-Fraud Investigations Manager (and RIPA Monitoring Officer) clarified that current legislation only allowed the Council to use surveillance if certain criteria was met.

Resolved:

That the report be noted.

36 Audit and Counter Fraud Work Quarterly Report

The Committee considered the report which provided a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year - 1st April 2021 to 30th September 2021.

The Chief Internal Auditor (CIA) summarised the report and its findings, highlighting that two members of the team had been undertaking the Institute of Internal Auditors, Internal Audit Practitioner apprenticeships, and that although one is still ongoing, the Audit Manager was the first Internal Audit Practitioner learner ever to be awarded an overall Distinction by the Chartered Institute of Internal Auditors.

The Committee discussed business continuity plans commended and congratulated the Audit Manager on being awarded an overall Distinction.

Resolved:

That the report be noted.

37 Treasury Management Quarter 2 Report

The Committee considered the report which provided details regarding the Treasury Management Activity for the period 1 August to 31 October 2021.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings.

The Committee discussed training, MMF (Money Market Funds) and the Council's Environmental, Social and Governance (ESG) investments. The DCFO confirmed that he had been in discussions with Lloyd's Banking Group and would liaise with the Committee Officer as to an agreed date and time for a Members' Briefing Session regarding ESG investments.

Resolved:

That Cabinet be recommended to accept that the Treasury Management activity for the period 1 August to 31 October 2021 has been in accordance with the approved Treasury Strategies.

38 Date of next meeting

That it be noted that the next meeting of the Audit and Standards Committee was scheduled to commence at 10:00am on Monday, 17 January 2022, in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB.

The meeting ended at 12:15pm.

Councillor Julian Peterson (Chair)

Report to:	Audit and Standards Committee
Date:	17 January 2022
Report Title:	Arrangements for Appointing External Auditors
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To outline the timeline and options available to the Council in appointing an External Auditor when the current arrangements reach their end.
Officer recommendation(s)	The Committee recommends that Full Council approves the decision to accept Public Sector Audit Appointments' (PSAA's) invitation to opt into the sector-led option for the appointment of external auditors from 1st April 2023.
Reasons for recommendations:	The Council has a statutory responsibility to appoint an external auditor to audit its accounts.
Contact Officer(s):	Name: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01273 485083

1. Introduction

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts 2018/19 to 2022/23.
- 1.2 All local government bodies need to make important decisions about appointing their external auditors, and have options to arrange their own procurement, make the appointment themselves, or in conjunction with others, or they can join and take advantage of the national collective scheme administered by PSAA.
- 1.3 The Council being an eligible body received an invitation (on 22 September 2021) from Public Sector Audit Authority (PSAA) to 'opt-in'. The requirement is that a recommendation is required by this Committee to Council by Friday 11th March 2022 to formally respond and accept (or decline) the opt-in invitation from Public Sector Audit Authority (PSAA) to join the procurement of bulk external audit services. *The LDC Full Council is scheduled for 21st February 2022.*

2. Public Sector Audit Appointments Limited (PSAA)

- 2.1 Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August

2014. PSAA is responsible for appointing an auditor for the five-year period to relevant principal local government bodies that opt into its national scheme, and to set scales of fees, and charging fees, for the audit of accounts of relevant bodies. Overseeing the delivery by its appointed auditors of consistent, high-quality, and effective external audit services to opted-in bodies.

- 2.2 In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 2.3 Acting in accordance with this role, PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts entered into with the audit firms.
- 2.4 2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the PSAA had the results of various independent reviews commissioned by Government.
- 2.5 However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) – a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.
- 2.6 2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding.
- 2.7 Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Auditors need to be paid for their additional work. As a result, many more fee variation claims have been received than in prior years. None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

3. Appointment of External Auditor from 2023/24 - Options

- 3.1 The Council current External Audit provider was appointed under the PSAA procurement contract. Current scale fees are based on rates negotiated by PSAA and reflect market share offered in framework contracts. If the Council wishes to remain in the PSAA framework and allow PSAA to continue to manage the appointment of the external auditors, it can do so.
- 3.2 PSAA sent an invite to "opt-in" (September 2021) to the Chair of Audit and Standard Committee, the Chief Executive, and the Section 151 Officer, requesting a decision on/before Friday 11th March 2022.

- 3.3 There are three ways for a principal local government body to appoint its auditor for the five financial years from 2023/24, namely:
- **Option 1** - Undertake an individual auditor procurement and appointment exercise.
 - **Option 2** - Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example, or
 - **Option 3** - Join PSAA's sector led national scheme.
- 3.4 All of the above options require a local auditor to be appointed not later than 31 December in the financial year preceding the financial year of the accounts to be audited. So, for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022.
- 3.5 PSAA has now formally invited this Council to opt into the national scheme (Option 3 above) for auditor appointments from April 2023. Details relating to PSAA's invitation are provided in **Appendix B (1 & 2)** to this Report.
- 3.6 An analysis of available options is provided within the attached **Appendix A**.

4. PSAA Indicative Timescales

Timescale	Activities
September 2021	Eligible bodies invited to join PSAA's national scheme (will require a decision by Full Council, or equivalent decision maker).
w/c 7 February 2022	Publish Contract Notice and issue documentation on request
11 March 2022	Deadline for eligible bodies to notify PSAA of their decision to opt-in.
w/c 14 March 2022	Deadline for submission of Selection Questionnaires
w/c 4 April 2022	Issue invitation to tender to short-listed suppliers.
w/c 11 July 2022	Deadline for submission of tenders.
August 2022	PSAA Board approval of contract awards, assuming a satisfactory outcome.
December 2022	PSAA Board will confirm auditor appointments for 2023/24.

5. Financial Appraisal

- 5.1 The proposed external audit fees will not be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms. Given the widespread prevalence of fee variations, market uncertainty and the revision to an 80% quality weighting within the procurement, it is almost certain that the fee payable by the Council will rise.
- 5.2 Opting-in to a national scheme provides a strong opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into 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 for 2023/24.

- 5.3 The scope of the audit will still be specified nationally; the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council or bid under the proposed arrangements whereby those going through registration or being 'supervised' by an appropriate approved body would be eligible.

6. Risk Management Implications

- 6.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives. It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls will be put in place to manage them effectively.

- 6.2 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

7. Equality Analysis

- 7.1 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

8. Legal Implications

- 8.1 The Local Audit and Accountability Act 2014 (Part 3) gives powers to appoint auditors. In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. The implications arising therefrom in relation to the audit of the council's accounts are set out in the report.

9. Appendices

- Appendix A - Options for local appointment of External Auditors from 2023/24
- Appendix B1 - Invitation to opt into the national scheme for auditor appointments from April 2023
- Appendix B2 - Appointing Period 2023/24 to 2027/28 - Form of notice of acceptance of the invitation to opt in

Available Options for Local Appointment of External Auditors from 2023/24

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
Description	To make a stand-alone appointment, the Council will need to set up an Auditor Panel. The members of the panel must be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.	The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.	PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. PSAA is currently responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts entered into with the audit firms. PSAA would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
Advantages/benefit	<ul style="list-style-type: none"> Setting up an auditor panel allows the Council to take maximum advantage of the local appointment regime and have local input to the decision. 	<ul style="list-style-type: none"> The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms. 	<ul style="list-style-type: none"> PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together. PSAA will monitor contract delivery and ensure compliance with contractual requirements, audit quality and independence requirements. Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon. It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition. The overall procurement costs would be expected to be lower

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
			<p>than an individual smaller scale local procurement.</p> <ul style="list-style-type: none"> • The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector. • There will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel'; and • A sustainable market for audit provision in the sector will be easier to ensure for the future.
Disadvantages/risks	<ul style="list-style-type: none"> • Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £25,000 plus on-going expenses and allowances. • The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts. 	<ul style="list-style-type: none"> • The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved. • The choice of auditor could be complicated where individual 	<ul style="list-style-type: none"> • Individual elected members will have less opportunity for direct involvement in the appointment process other than through the Local Government Association (LGA) and/or stakeholder representative groups. • In order for the PSAA to be viable and to be placed in the strongest possible negotiating position, PSAA will need Councils to

Appendix A

	Option 1	Option 2	Option 3
	<i>Undertake an individual auditor procurement and appointment exercise.</i>	<i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	<i>Join PSAA's sector led national scheme</i>
	<ul style="list-style-type: none"> The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members. 	<p>Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards.</p> <ul style="list-style-type: none"> There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement. 	<p>indicate their intention to opt-in before final contract prices are known.</p>



22 September 2021

To: Mr Cottrill, Chief Executive
Lewes District Council

Copied to: Mrs Javadi, S151 Officer
Mr Peterson, Chair of Audit Committee or equivalent

Dear Mr Cottrill,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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Appointing Period 2023/24 to 2027/28

Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: ap2@psaa.co.uk

Subject: **Lewes District Council**

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Lewes District Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**

Title: **[insert role of signatory]** (authorised officer)

For and on behalf of: **Lewes District Council**

Date: **[insert date completed]**

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