

Working in partnership with **Eastbourne Homes**

Meeting:	Full Council
Date:	23 February 2022
Subject:	Appointment of External Auditor
Report of:	On behalf of the Audit and Governance Committee

The Full Council is asked to consider the minute and resolution of the Audit and Governance Committee meeting held on 12 January 2022 as set out below.

The Council is recommended 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.

Minute extract - Audit and Governance Committee, 12 January 2022.

Arrangements for appointing external auditors

The Committee considered the report of the Chief Finance Officer, seeking its agreement to recommend that the Full Council accepts the invitation from the Public Sector Audit Appointments (PSAA) to opt into the sector-led option for the appointment of external auditors from 1st April 2023.

Ola Owolabi, Deputy Chief Finance Officer (DCFO), presented the report, briefly outlining the requirements on the Council and the three options for appointment arrangements that were available to the Council.

The DCFO noted that the subject had been discussed at length at a number of previous meetings of the Audit and Governance Committee, and at an informal briefing with the PSAA.

The DCFO informed Members that the CFO had recently written a letter to the PSAA, seeking assurances that, should the Council chose to opt-in to the scheme, the PSAA would consider the Council's request for a different auditor, and would provide support for a smooth transition from existing to new auditor. The DCFO highlighted the importance of considering the transition phase, because the two currently outstanding sets of accounts risked potential delays should a new auditor be appointed. The ability to apply to the PSAA for support in this matter was noted as a benefit of opting into the scheme.

The Chair thanked the DCFO and invited comments and questions from the Committee.

Feedback was shared of the positive experiences that other local Councils' had had of the PSAA scheme. Members noted the usefulness of the briefing with the PSAA and there was recognition that the Council's own poor experience under the current arrangement had been largely due to issues with the current specific auditor, rather than the scheme generally.

Members requested clarification on a number of points concerning current and future costs for external auditing. In his responses, the DCFO confirmed that:

- The current external audit fee within the PSAA scheme was £52K per annum, but that the final audit fees would be more, due to extra billing for various audit works.
- Costs for external auditing from April 2023 would increase, whichever of the three options was selected.
- Research regarding likely external auditing fees for Option 2 had returned an estimate quote of between £150K-£200k per annum, of which approximately 60-65% would fall to Eastbourne Borough Council.
- The PSAA had been unable to provide estimated external audit fees, as it was too early in the timeline of preparations for the next scheme.
- By choosing the PSAA, Option 3, the Council would save on the costs of setting up and maintaining an independent panel as those costs would be over and above any relative comparable cost for auditor services.

There was general agreement amongst Members that cost should not be the only consideration in determining best value. Moreover, the impact on the Council's Finance Team of the lack of resources and poor communications exhibited by the current auditors had had hidden costs for the Council. In light of these considerations, and the fact that the Council shared a joint staff Finance Team with Lewes District Council (LDC), the DCFO agreed the evening's decision of Committee would be shared with LDC's Audit and Standards Committee.

Following questions and comments from Members regarding its request for an alternative auditor from the PSAA scheme, the DCFO reminded Members that the PSAA had clearly stated that the independent process for auditor appointments meant that requests for specific auditors could not be guaranteed. The DCFO noted that, based on previous experiences, he had confidence that the Council's request for a change of auditor would be listened to by the PSAA, and that the Council's position on this matter, and the importance it placed on the need to have a change of auditor going forward, had been made very clear to the PSAA.

The DCFO confirmed that a discussion of 'level of materiality' would be included in the External Audit Plan, presented at the start of the annual audit process from the external auditors, currently expected March 2022.

There was general agreement that joining the PSAA scheme was most likely to provide overall best value out of the three options available to the Council.

On behalf of the Committee, the Chair thanked the Chief Finance Officer and Deputy Chief Finance Officer and the Finance Team finance team for all their work and support in this matter.

Resolved (unanimously)

1. That the Committee recommends that 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.

For a copy of the report please contact Democratic Services:

Tel. (01323) 410000.

E-mail: committees@lewes-eastbourne.gov.uk

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<https://democracy.lewes-eastbourne.gov.uk/mgListCommittees.aspx?CT=13215>