

Audit and Governance Committee

12 January 2022



Working in partnership with **Eastbourne Homes**

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

This meeting is open to the public to attend. Whilst seating is currently limited due to social distancing guidelines, we ask that if you are planning to attend and observe the meeting, please let us know by emailing committees@lewes-eastbourne.gov.uk. We will also require that you wear a face covering (unless medically exempt) and observe social distancing. All attendees are also requested to take a lateral flow test before attending a meeting.

Membership:

Councillor Robin Maxted (Chair); Councillors Amanda Morris (Deputy-Chair) Helen Burton, Sammy Choudhury, Peter Diplock, Tony Freebody, Md. Harun Miah and Kshama Shore

Quorum: 2

Published: Tuesday, 4 January 2022

Agenda

1 Minutes (Pages 5 - 10)

To confirm the minutes of the last meeting of the Committee.

2 Apologies for absence/declaration of substitute members

3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

4 Questions by members of the public.

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 Arrangements for Appointing External Auditors (Pages 11 - 26)

Report of the Chief Finance Officer.

8 Date of the next meeting

Information for the public

Accessibility:

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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:

Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

Democratic Services

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Working in partnership with **Eastbourne Homes**

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 24 November 2021 at 6.00 pm.

Present:

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Peter Diplock, Tony Freebody and Kshama Shore.

Officers in attendance:

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

26 Minutes

Following one amendment (see below), the minutes were confirmed (unanimous) as an accurate record, subject to the replacement of the word 'officers' with 'Chief Internal Auditor' as follows:

"In addition, the CIA clarified that the purpose of the reports was to identify and highlight areas of risk,..."

27 Apologies for absence/declaration of substitute members

Apologies were received from Councillor Burton, Councillor Choudhury and Councillor Miah and from Homira Javadi, Chief Finance Officer.

28 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

There were none.

29 Questions by members of the public.

The Chair reported that no questions had been received from members of the public.

30 Urgent items of business.

There were none.

31 Right to address the meeting/order of business.

The Chair reported that no requests to address the meeting had been received.

32 Annual report on Covert Surveillance Management

Lee Ewan, Counter Fraud Investigations Manager and RIPA Monitoring Officer (RMO), presented the annual report to the Committee on adherence to the Council's Covert Surveillance Policy, and provided a verbal update regarding the 2019 IPCO (Investigatory Powers Commissioner's Office) inspection.

Highlighted points included:

- An explanation of the strict thresholds that needed to be met to warrant the use of covert surveillance and confirmation that no requests had been made in the period covered by the report.
- CHIS (Covert Human Intelligence Sources) training had been completed. There was no expectation that CHIS would be used.
- A note of the Council's use of overt surveillance activities that fell outside of RIPA (Regulation of Investigatory Powers Act 2000), including use of CCTV, online open sources, and uniformed Neighbourhood First Team (for prevention and monitoring purposes).
- A confirmation that all the recommendations from the IPCO inspection in 2019 (Appendix 1) had now been fulfilled.

The Chair thanked the RMO for the presentation and members considered the report.

Following questions from members, the RMO explained that RIPA (Regulation of Investigatory Powers Act 2000) had provided a framework that all Local Authorities followed, which ensured proper and consistent application of any covert activity.

The RMO described the process for requesting, authorising, carrying out and monitoring any covert activities. This included the kinds of considerations made by the RIPA Monitoring Officer (RMO), as authoriser, and potential liaison with partnership bodies, such as the Police.

The RMO confirmed that reports of any CHIS activity were provided annually, in line with IPCO recommendations, and that Eastbourne Borough Council had never used CHIS and considered it very unlikely it would do so in the future.

RESOLVED (unanimous)

1. To note the covert surveillance summary for September 2020 to September 2021; and
2. To note the Council's actions to address outstanding recommendations from IPCO's inspection in 2019.

33 Audit and Counter Fraud Work Quarterly Report

Jackie Humphrey, Chief Internal Auditor (CIA) presented the report, in support of the Audit and Governance Committee's duty to keep the Annual Audit Plan under review and to review the probity and effectiveness of internal controls both financial and operational including arrangements for identifying and managing risk.

The CIA noted and explained instances where changes had been made to the presentation of information in the report format and appendices to improve clarity. The CIA invited further suggestions from members, but noted that additional detail was not always appropriate due to considerations over exempt information.

The Chair thanked the CIA and officers provided updates and clarifications to the following questions and comments from the Committee Members.

Officers (The CIA and RMO) explained that it would be difficult to compare the Council's own record of 'savings' with others, due to differences of reporting styles and between housing stock volumes.

The CIA clarified that issues requiring follow up identified in any of the 12 areas of the organisation which were obliged to be audited annually (including debts and payroll) were necessarily covered as part of that annual auditing process.

Following comments regarding content in Appendix B, the CIA clarified how 'client comments' were summarised, and agreed to consider how this information could be expanded for future reporting, along with the potential inclusion of previous and current rating information (from Appendix A) and to provide explanations of acronyms. The CIA explained how the Audit team typically followed up with teams with flagged issues, and provided an update of suggestions made for the specific area of 'arrears collection'.

The RMO provided an update regarding investigations of potential fraudulent application activity for Covid-19 business support, and explained that many flagged potential instances had been found to be non-fraudulent on further investigation.

RESOLVED (unanimous)

1. To note the information in the report and identified further information requirements: specifically, that the CIA would investigate the possibility of providing an update on arrears for the March committee meeting.

34 Treasury Management Quarter 2 Report

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report regarding the activities and performance of the Treasury Management service for the period August to October 2021.

The Chair thanked the DCFO and the Committee considered the report.

The Committee Officer confirmed that information from the recent Treasury Management training session for members (training pack and session recording) would be shared with those Councillors who had not been able to attend the event.

The DCFO confirmed that the Treasury Management report sought to provide Members with a summary and indicator information and that other Council reports, such as the Corporate Performance Q2 Report to Cabinet (Financial Appraisal Appendix 2), provided more detailed breakdowns of particular areas such as for the General Fund capital project programme.

The DCFO said that he would rename the 'Q2 actual Indicator' column to 'projected actual' to better reflect the projected position for the year end. He explained the difficulties in making projections for some areas, such as the General Fund capital expenditure, compared to others, and offered to bring a more detailed report of the capital project programme to a future meeting.

RESOLVED (unanimous)

1. To note the report and recommend that the Committee accepts that Treasury Management Activity for the period 1 August to 31 October 2021 had been in accordance with the approved Treasury Management strategies.

35 Arrangements for Appointing External Auditors

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report and outlined the timeline and options available to the Council for appointing an External Auditor when the current arrangements reach an end in 2023.

In addition, the DCFO concluded his presentation with a short verbal update that summarised the recent deliberations of Lewes District Council's (LDC) Audit and Standards Committee on the same issue.

Namely that:

- Officers had been instructed to survey the nine eligible auditing companies regarding potential interest in independent contracts outside of the PSAA (Public Sector Audit Appointments Limited) scheme.
- The results of the survey would be shared at an informal briefing for members of LDC Audit and Standards Committee. In addition, a representative from PSAA would be invited to attend, to discuss the revised scheme following recommendations of the Redmond Report.
- The LDC Audit and Standards Committee had deferred making a recommendation to Full Council until January 2022.
- That the briefing could be offered as a joint event with Eastbourne Borough Council's Audit and Governance Committee, in consideration of Option 2.

The Committee considered the report. Following questions and comments from Members the DCFO confirmed that:

- A recommendation would need to be presented to the Full Council meeting on 23 February 2022 in order to meet the PSAA's opt-in deadline.
- Auditing costs were expected to increase with any of the three Options outlined in the report. Costs for the PSAA scheme were not available. The Local Government Association had published estimates of circa £25,000.00 to run an independent Auditors Panel (Options 1 and 2). However, that cost could be shared between the participating Councils in the Option 2 model. More information to understand potential costs for setting up and running an Independent Panel could be included within a joint briefing.
- A template form to help members 'weigh' and analyse the benefits and risks of the three options had been devised and shared with Committee members via email, as requested at the informal briefing on 8 November 2021.
- The deadline for survey responses from the nine auditing firms was 3 December 2021.
- Officers had sought to engage with other Councils and shared what feedback had been received to date, including any levels of interest for the Option 2 shared Independent Panel model. In addition, the DCFO reported that only one District Council had previously opted out of the PSAA scheme to set up its own Panel, but that Council had not responded to an invitation to share its experiences as yet
- For the current appointing period, covering audits of the accounts for 2018/19 to 2022/23, there were 510 bodies opted-in and 10 organisations (of which 6 were Councils) who had made their own local arrangements. Of these 6 Councils, 5 were unitary / London Borough / Metropolitan District Councils; East Hampshire District Council was the only District Council to opt out.
- As there was a joint staff arrangement between Lewes District Council and Eastbourne Borough Council, there would be resource efficiencies if the two Councils decided on the same auditing arrangement.
- The Committee could, if it chose to opt in to the PSAA scheme, formally request that the same auditor be appointed for both Eastbourne and Lewes Councils. Officers also advised that the Committee could submit a request regarding specific auditors, but that officers understood that PSAA was not under any obligation to agree such requests.

Members thanked Officers for all their research work, including reaching out to other Councils.

Members noted that, in addition to costs, considerations for ensuring open communication and accountability for poor service, were also important when identifying the best value option.

It was agreed that the pending information from the Officers' investigation should be considered as part of the Committee's deliberations for the future external auditing arrangements. The Committee also welcomed the opportunity to receive a briefing alongside the Lewes District Council Audit and Standards Committee on the Audit Panel arrangements and to hear from the PSAA.

RESOLVED (unanimous)

To request Officers to:

1. Find a suitable date in December for an informal joint briefing with the LDC Audit and Standards Committee, to take place remotely via Microsoft Teams;
2. That a representative from the PSAA be invited to attend that briefing; and
3. That an additional meeting of the Audit and Governance Committee be scheduled for January, in order for the Committee to make a recommendation on the audit arrangements to Full Council on 23 February 2022.

36 Date of the next meeting

The date of the next meeting would be arranged by Officers for January 2022, as per the resolution under Agenda Item 10, and Members would be informed by email.

The meeting ended at 7.42 pm

Councillor Robin Maxted (Chair)

Report To:	Audit and Governance Committee
Date:	12 January 2022
Title:	Arrangements for Appointing External Auditors
Report of:	Homira Javadi, 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 Recommendations:	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.
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: 01323 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 EBC Full Council is schedule for 23rd 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 Governance 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.

Appendix A

Available Options for local appointment of External Auditors from 2023/24

	Option 1 <i>Undertake an individual auditor procurement and appointment exercise.</i>	Option 2 <i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i>	Option 3 <i>Join PSAA's sector led national scheme</i>
Description	<p>To make a stand-alone appointment, the Council will need to set up an Independent 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.</p> <p>The auditor panel must have at least three members, a majority of whom must be independent, and one of whom must chair the panel.</p>	<p>The 2014 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.</p> <p><i>The auditor panel must have at least three members, a majority of whom must be independent, and one of whom must chair the panel. This is to ensure that, when a public body appoints its own auditors, the independence of the auditor is maintained.</i></p>	<p>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.</p>

	<p style="text-align: center;">Option 1</p> <p style="text-align: center;"><i>Undertake an individual auditor procurement and appointment exercise.</i></p>	<p style="text-align: center;">Option 2</p> <p style="text-align: center;"><i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i></p>	<p style="text-align: center;">Option 3</p> <p style="text-align: center;"><i>Join PSAA's sector led national scheme</i></p>
<p>Advantages/benefit</p>	<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 than an individual smaller scale local procurement.

	<p style="text-align: center;">Option 1</p> <p style="text-align: center;"><i>Undertake an individual auditor procurement and appointment exercise.</i></p>	<p style="text-align: center;">Option 2</p> <p style="text-align: center;"><i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i></p>	<p style="text-align: center;">Option 3</p> <p style="text-align: center;"><i>Join PSAA's sector led national scheme</i></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. • The assessment of bids and decision on awarding contracts will be taken by independent 	<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 Councils have independence issues. An independence issue occurs where the auditor has recently or is 	<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 indicate their intention to opt-in before final contract prices are known.

	<p style="text-align: center;">Option 1</p> <p style="text-align: center;"><i>Undertake an individual auditor procurement and appointment exercise.</i></p>	<p style="text-align: center;">Option 2</p> <p style="text-align: center;"><i>Undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example.</i></p>	<p style="text-align: center;">Option 3</p> <p style="text-align: center;"><i>Join PSAA's sector led national scheme</i></p>
	<p>appointees and not solely by elected members.</p>	<p>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. 	

22 September 2021

To: Mr Cottrill, Chief Executive
Eastbourne Borough Council

Copied to: Mrs Javadi, S151 Officer
Councillor Mazted, 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;

Appendix B1

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.

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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: **Eastbourne Borough 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 **Eastbourne Borough 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: **Eastbourne Borough Council**

Date: **[insert date completed]**

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