

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 27 January 2022 at 10.30 am in Ernest Saville Room - City Hall, Bradford

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Tait Thornton Godwin	Pollard	Reid

Alternates:

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
M Slater Azam T Hussain	Felstead	J Sunderland

Notes:

- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of the agenda item.
- Given the restrictions on room capacity, any Councillors and members of the public who wish to make a contribution at the meeting are asked to email fatima.butt@bradford.gov.uk by 10.30 on Tuesday 25 January 2022 and request to do so. You will then be advised on how you can participate in the meeting. Access to the meeting cannot be guaranteed if those wishing to attend do not register given the Council must comply with the Covid regulations and guidance in place at the time.

On the day of the meeting you are encouraged to wear a suitable face covering (unless you are medically exempt) and adhere to social distancing. Staff will be at hand to advise accordingly.

From:

Parveen Akhtar
City Solicitor

Agenda Contact: Fatima Butt

Phone: 01274 432227

E-Mail: fatima.butt@bradford.gov.uk

To:

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) Officers must disclose interests in accordance with Council Standing Order 44.*

3. MINUTES

Recommended –

That the minutes of the meeting held on 25 November 2021 be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA 2000) - LEVEL OF USE (QUARTERLY UPDATE)

The City Solicitor will submit **Document “W”** which provides information relating to:

- The number of authorised and approved covert surveillance operations (Nil return) undertaken by the Councils criminal investigation teams for the first two quarters of 2021.
- The arrangements for training to be presented to officers of the Council in 2022.
- Investigatory Powers Commissioners Office guidance June 2021 which required a review of the Councils RIPA policy.
- The use of the Councils CCTV equipment by the Police or Department of Work and Pensions (DWP) for covert surveillance.
- A summary of the responses from Departments to the RIPA questionnaire issued by the Councils RIPA Coordinator and Monitoring Officer in December 2021.

Recommended-

(1) That the contents of the report be noted.

- (2) That the Councils continued compliance with RIPA (Regulation of Investigatory Powers Act) as coordinated and monitored by the Councils RIPA Coordinator and Monitoring Officer and the Senior Responsible Officer be noted.
- (3) That the RIPA training arranged be noted.
- (4) That the Investigatory Powers Commissioners Office advice regarding the Human Rights Act 1998 process as implemented by the RIPA Coordinator and Monitoring Officer be noted.

(Richard Winter – 01274 434292)

6. ANNUAL GOVERNANCE STATEMENT 2020-21 REVIEW

The Director of Finance and IT will submit **Document “X”** which provides an update on the progress and improvements being made in addressing those significant governance concerns reported in the Council’s Annual Governance Statement 2020-2021.

The Annual Governance Statement was formally reviewed and approved by the Governance and Audit Committee at its meeting on the 23rd September 2021.

Recommended-

- (1) That the information contained in Document “X” and the progress made in addressing the significant governance challenges be reviewed.
- (2) That the further actions planned detailed in Document “X” be endorsed.
- (3) That officers and Members be alerted to any emerging governance concerns requiring review during the 2021-22 process.

(Chris Chapman – 01274 433656)

7. APPOINTMENT OF EXTERNAL AUDITORS FOR STATUTORY FINANCIAL STATEMENTS

Members are reminded that the Council previously took a decision to opt into the national Local Government Association led approach (via the Public Sector Audit Appointments Ltd) for the procurement of local authority external auditors for the 5-year period April 2018 through to March 2023.

The council now needs to consider the options available for the appointment of the external auditor for the 2023/24 statement of accounts, with a need to appoint an auditor by the end of December 2022.

In September 2021, the Public Sector Audit Appointments Ltd (PSAA) wrote to local authorities to issue a formal invitation to opt into the national sector-led approach for the 5-year period from April 2023.

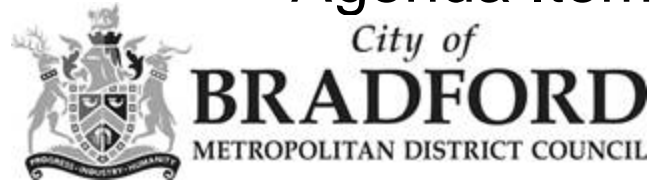
The Director of Finance and IT will submit **Document “Y”** which therefore sets out the options available to the Council for the appointment of an external auditor.

Recommended-

That the Committee recommends option 3 (opt into the national auditor appointment scheme) to Council as the preferred option and that the recommendation be included within the reports to Budget Council in February 2022.

(Rachel Gledhill-Moseley - 07966 307065)

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Report of the City Solicitor to the meeting of Governance and Audit Committee to be held on 27th January 2022 at 10.30 at City Hall Bradford

W

Subject: Regulation of Investigatory Powers Act 2000 (RIPA 2000) – Level of use (quarterly records)

Summary Statement:

This report provides information relating to:

- **The number of authorised and approved covert surveillance operations (Nil return) undertaken by the Councils criminal investigation teams for the first two quarters of 2021.**
- **The arrangements for training to be presented to officers of the Council in 2022.**
- **Investigatory Powers Commissioners Office guidance June 2021 which required a review of the Councils RIPA policy.**
- **The use of the Councils CCTV equipment by the Police or Department of Work and Pensions (DWP) for covert surveillance.**
- **A summary of the responses from Departments to the RIPA questionnaire issued by the Councils RIPA Coordinator and Monitoring Officer in December 2021.**

City Solicitor
Parveen Akhtar
Report Contact: R J Winter – Solicitor
Deputy Team Leader Property Commercial and
Development
RIPA Coordinator and Monitoring Officer (RICMO)
Phone: 01274 434292
mobile 07582 103592
Email: richard.winter@bradford.gov.uk

1. SUMMARY

1.1 This report is to provide information relating to the above resolutions and in particular: -

- (a) The number of authorised and approved covert surveillance operations (Nil return) undertaken by the Councils criminal investigation teams for the first two quarters of 2021.
- (b) The arrangements for training to be presented to officers of the Council in 2022.
- (c) IPCO guidance June 2021 which required a review of the Councils RIPA policy.
- (d) The use of the Councils CCTV equipment by the Police or Department of Work and Pensions (DWP) for covert surveillance.
- (e) A summary of the responses from Departments to the RIPA questionnaire issued by the Councils RIPA coordinator and Monitoring officer (RiCMO) in December 2021

NB See Glossary of terms at the APPENDIX below.

2. BACKGROUND

2.1 The Council's use of authorised and approved covert surveillance operations and obtaining of data communication information for the periods mentioned above.

2.2 The Councils Departments which have specific statutory powers to investigate criminal offences are as follows: -

- (a) Neighbourhood and Customer Services (NH&CS).
- (b) Environmental Health Service (EHS)
- (c) West Yorkshire Trading Standards Service (WYTSS).
- (d) Corporate Resources - Counter Fraud Team (CFT).
- (e) Planning Service and Building Control (PS&BC).
- (f) Housing Standards Service (HSS)
- (g) Antisocial Behaviour Team and Youth Offending Team (ASBT & YOT).
- (h) Licensing Services (Liquor and taxi etc.) (LS)

2.3 The Councils Departments which investigate breaches of employee discipline and child protection and adult which may result in the detection of serious criminal offences are as follows: -

- (a) Adult Social Care. (ASC)
- (b) Children's Social Care (CSC)
- (c) Corporate Resources (CR).
- (d) Department of Place(DP)
- (e) Office of the Chief Executive. (CX)

2.4 The returns for Quarter 1 (1st January to 31st March 2021) and Quarter 2 (1st April to 30th June 2021) Quarter 3 (1st July to 30th September 2021) and Quarter 4 (1st October to 31st December 2021) A NIL RETURN is shown for all other relevant departments which indicate that the enforcement team's criminal investigators are able to obtain

evidence without the need for covert surveillance. Where not applicable appears (N/A) the criminal offences investigated by the service do not fall within the definition of a serious criminal offence defined under RIPA 2000 namely carrying a penalty of more than six months' imprisonment. Covert surveillance of such none serious crimes cannot be authorised under RIPA.

Department/ Quarterly period (QTR)	EHS	WYTSS	CFT	PS& BC	HSS	ASBT & YOT& NH&C S	LS	Refusals	Authorisations /Approvals
QTR 1	0	0	0	n/a	n/a	n/a	n/a	0	0
QTR 2	0	0	0	n/a	n/a	n/a	n/a	0	0
QTR 3	0	0	0	n/a	n/a	n/a	n/a	0	0
QTR 4	0	0	0	n/a	n/a	n/a	n/a	0	0

2.5 The Council's CCTV system and use of it for covert surveillance by the Police and DWP.

a) The Council owns a substantial CCTV system which assists the West Yorkshire Police and the Council in the prevention and detection of crime within the Centres of Bradford, Bingley, Shipley, Keighley, Silsden, Ilkley, Baildon, Wrose, Oakworth, Wibsey and Idle. The CCTV equipment is occasionally used by the Police or DWP. In order for the police or DWP to use the Council CCTV for directed surveillance evidence must be provided to the Councils CCTV manager (Phil Holmes) that the use of the CCTV is necessary and proportionate to detect or prevent crime in a police operation.

b) The table below shows comparative figures for QTR 1 and QTR 2.

Quarterly Period (QTR)	Police	DWP	Refusals	Accepted	Total Operations
QTR 1	0	0	0	0	0
QTR 2	2	0	0	2	27
QTR 3	3	0	0	3	24
QTR 4	4	0	0	4	21

3. OTHER CONSIDERATIONS

3.1 THE INVESTIGATORY POWERS COMMISSIONERS OFFICE (IPCO)

(a) IPCO was established under the Investigatory Powers Act 2016 which came into force in September 2017. IPCO replaces the Office of the Surveillance Commissioner whose last inspection was in October 2016.

(b) The Commissioner of IPCO makes arrangement for all police and local authorities to be inspected periodically. A first inspection by an IPCO inspector of the Council under the new statutory framework took place remotely due to COVID 19 in August

2020.

(c) The IPCO Inspector report dated 20th August 2020 raised the following matters which have been actioned by the Councils RIPA Coordinator and Monitoring Officer (RiCMO); -

- Recommendation 1 implementation of the outstanding recommendation of the 2016 inspection namely to amend the policy, guidance and procedures document to remove all references to the use of the urgency procedures which are no longer available to local authorities. - **Completed by RiCMO**
- Recommendation 2 (August 2020 report): To investigate whether any unauthorised surveillance activity has taken place and if so, a report of those findings and any remedial action taken should be sent to the IPCO. A questionnaire was issued in December 2020 and 2021 by the Councils RiCMO to all Strategic and Assistant Directors (SD & AD's) to establish the position. - **Completed by RiCMO and None were found or reported**
- Guidance- Minor Revisions and updates to the Guidance and Policy Documents 2020. This was undertaken following the inspection and the policy is reviewed and updated in January each year. – **completed by RiCMO.**
- In addition, recent advice from IPCO requires a review and update of the Councils policy documents on covert surveillance use to acknowledge that where covert surveillance cannot be authorised under RIPA then a record of the covert surveillance undertaken should be recorded in writing in a process regulated by the Human Rights Act 1998. The Councils RiCMO will report back to the next meeting of GAC in January 2022.- **arrangements made by RiCMO but no such HRA applications requested.**

3.2 ANNUAL TRAINING, RAISING AWARENESS, RIPA BRIEFINGS, THE COUNCILS GUIDANCE AND POLICY DOCUMENT AND THE ANNUAL INTERNAL AUDIT.

- (a) Following the completion of an internal audit the Councils RiCMO (Richard Winter in consultation with) the Councils Senior Responsible officer (SRO) (Joanne Hyde) will brief all Strategic Directors and Assistant Directors in order to continue to raise awareness of the need to be vigilant within their services in respect of the unauthorised use of covert surveillance.
- (b) All officers were reminded that any covert surveillance which was planned to be carried out it must be authorised and approved by the City Solicitor and the Magistrates court respectively and advice should be obtained from the Councils RiCMO when any such action was contemplated.
- (c) The Councils RiCMO reviews the Councils Policy and Guidance document in January each year and the review is currently being undertaken. The review will include a change to Council policy (as advised by IPCO last year) to allow enforcement officer/managers to seek authorisation from the City Solicitor to undertake covert surveillance it being authorised under the Human Rights Act 1998 rather than RIPA. The Policy and Guidance document will be shared with officers

following the review and any mid-year changes to legislation also shared with officers at the time.

(d) Arrangements have also been made by the Councils RICMO for training in 2022 as follows: -

1. Senior officer feedback to RIPA Q of December 2021 by way of a written/verbal briefing
2. Officer (open to Councillors) on line training to be arranged for Summer 2022.

(e) The responses to the December 2021 questionnaire to officers indicate that they are sufficiently aware of the regulatory regime to avoid unauthorised covert surveillance.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 There are no financial implications arising from a resolution adopting the recommendations of this report.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 The report is intended to audit potential risks of unauthorised covert surveillance by officers of the Council without authorisation and approval and will be shared with all SD's and AD's and enforcement team managers following the consideration by committee and its resolutions.

6. LEGAL APPRAISAL

6.1 The undertaking of Covert Surveillance or obtaining of data communication information is regulated by the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and associated guidance and Codes of Practice (see body of the Report).

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

7.1.1 There are no equality impact or diversity implications as a result of a resolution adopting the recommendations of this report.

7.2 SUSTAINABILITY IMPLICATIONS

7.2.1 There are no sustainability implications as a result of a resolution adopting the recommendations of this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

7.3.1 There are no greenhouse gas emission impacts as a result of a resolution adopting the recommendations of this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

7.4.1 There is no community safety implications as a result of a resolution adopting the recommendations of this report as investigation into crime in the Councils district will continue by the police. The Councils Enforcement teams will continue where possible to undertake investigations of criminal offences overtly.

7.5 HUMAN RIGHTS ACT

7.5.1 There are no Human Rights issue as a result of a resolution adopting the recommendations of this report.

7.5.2 However, if covert surveillance was undertaken without authorisation and approval under RIPA, then it would violate Articles 6 and 8 (Right to a fair trial and right to Respect of Private and Family Life)

7.6 TRADE UNION

7.6.1 There are no trade union implications as a result of a resolution adopting the recommendations of this report.

7.7 WARD IMPLICATIONS

7.7.1 There are no ward implications as a result of a resolution adopting the recommendations of this report.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

7.8.1 No Privacy Impact Assessment is required.

8. BACKGROUND DOCUMENTS

8.1 The IPCO newsletter June 2021.

8.2 The updated RIPA Policy and Procedure January 2022.

9. OPTIONS

9.1 See recommendation below.

10. RECOMMENDATIONS

10.1 That the contents of the report be noted.

10.2 That the Councils continued compliance with RIPA (Regulation of Investigatory Powers Act) as coordinated and monitored by the Councils RIPA Coordinator and Monitoring Officer and the Senior Responsible Officer be noted.

10.3 That the RIPA training arranged be noted.

10.4 That the Investigatory Powers Commissioners Office advice regarding the Human Rights Act 1998 process as implemented by the RIPA Coordinator and Monitoring Officer be noted.

11. APPENDICES

APPENDIX I Glossary of terms and abbreviations

Abbreviation	Title/Term	Background/Definition
HRA 1998	Human Rights Act	Enacts ECHR into English Law i.e. absolute and conditional human rights
RIPA 2000	Regulation of Investigatory Powers Act	Regulates the use of covert surveillance and data communication in respect of private persons.
IPA 2016	Investigatory Powers Act 2016	Creates the Investigatory Powers Commissioners office (IPCO)
IPCO	Investigatory Powers Commissioners office	Created by the government under IPA 2016 to oversee the police and other public bodies' use of covert surveillance techniques.
SRO	Senior Responsible officer	Required to take an overview of the Councils use of covert surveillance and compliance with RIPA and the Councils RICMO
RICMO	RIPA Coordinator and Monitoring Officer	Coordinates and monitors the use of covert surveillance techniques on the Councils behalf.
SPOC	Single Point of contact for obtaining data communications information	Monitors the lawful obtaining of data communications information as appointed by the National Anti Fraud Network (NAFN) operated nationally through at Tameside Council of which the Council is a member .
NAFN	National Anti-Fraud Network	To be consulted when Data Communications information is required.
CCTV	Close circuit television	Used for safety and security purposes within Council buildings and the Bradford city centre and other town centres across the district.
CS	Covert surveillance	Surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.
DS	Directed surveillance	Surveillance which is covert, but not intrusive, and undertaken: a) for the purpose of a specific investigation or operation;

		<p>b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is the target of the investigation or operation); and</p> <p>c) In a planned manner and not by way of an immediate response whereby it would not be reasonably practicable to obtain an authorisation prior to the surveillance being carried out.</p>
CHIS	Covert human intelligence source	<p>A person is a CHIS if:</p> <p>(a) s/he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);</p> <p>(b) s/he covertly uses such a relationship to obtain information or to provide access to any information to another person; or</p> <p>(c) S/he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.</p>
DComms	Data Communications information	<p>Authorisation can be applied for via the nominated Single Point of Contact at NAFN and then authorised by a designated officer at IPCO. E.g. internet , telephone and mail use but not the content of internet pages or telephone calls made ir received or letters sent or received.</p>
IS	Intrusive surveillance	<p>Intrusive surveillance is defined as covert surveillance that:</p> <p>a) is carried out in relation to anything taking place on any residential premises or in any private vehicle; and</p> <p>b) Involves the presence of any individual on the premises or in the vehicle or is carried out by means of a surveillance device.</p> <p>If the device is not located on the premises or in the vehicle, it is not intrusive surveillance unless the device consistently provides information of the same quality and detail as could be expected to be obtained from a device actually present on the premises or in the vehicle.</p>
	Private information	<p>Includes any information relating to a person's private or family life.</p> <p>Private life also includes activities of a professional or business nature (Amann v Switzerland (2000) 30 ECHR 843).</p> <p>"Person" also includes any organisation and any association or combination of persons.</p>
	Confidential material	<p><i>Includes:</i></p> <ul style="list-style-type: none"> ▪ matters subject to legal privilege; ▪ confidential personal information; ▪ Confidential journalistic material.
ECHR 1950	European Convention of Human Rights	<p>Sets out absolute and conditional Human Rights across Europe</p>
OSC	Office of the surveillance	<p>Replaced by IPCO in September 2017</p>

	commissioner	
SNS	Social network sites	E.g. Facebook and Twitter

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Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 27 January 2022

X

Subject:

Annual Governance Statement 2020-21 Review

Summary statement:

This report reviews progress on the significant governance concerns reported in the Council's Annual Governance Statement 2020-21.

Report Contact: Chris Chapman,
Director of Finance and IT
Phone: (01274) 433656
E-mail: chris.chapman@bradford.gov.uk

Portfolio:

Corporate

Improvement Area:

Corporate

1. Summary

The purpose of this report is to update members on the progress and improvements being made in addressing those significant governance concerns reported in the Council's Annual Governance Statement 2020-2021.

2. Update on 2020-21 Significant Governance Concerns

2.1 The annual governance review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:

- Assess the extent to which it complies with the principles and requirements of good governance
- Identify systems, processes and documentation that provide evidence of compliance
- Identify and ensure individuals and committees hold responsibility for governance arrangements and their continuing application and effectiveness
- Identify issues that have not been addressed adequately and any planned changes required in the future
- Prepare an action plan, identifying any individuals responsible for taking any changes forward

2.2 The Annual Governance Statement (AGS) was formally reviewed and approved by the Governance & Audit Committee at its meeting on the 23rd September 2021. The Committee subsequently authorised the Leader of the Council and the Chief Executive to sign the document on behalf of the Council for inclusion with the Statement of Accounts for 2020-21.

2.3 The Statement reported that the Governance and Audit Committee would be kept informed of progress in addressing weaknesses and areas of concern. The Annual Governance Statement identified four continuing governance challenges,

- Safeguarding Vulnerable Children
- Ensuring an effective, integrated system of health and social care
- Key Staffing Skills
- Elective Home Education

A comprehensive review of these governance issues has been undertaken and a detailed update is provided in Appendix 1. Council officers recognise the need for continuing effort to achieve improvements in the delivery and operation of their services.

4. Financial and resources appraisal

There are no direct financial implications arising from this report.

5. Risk Management

The Council's risk management framework remains in place and, as previously reported, corporate risks are reviewed regularly, at quarterly intervals. There are no new risk management issues arising from this report.

6. Legal appraisal

- 6.1** The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the Council's governance framework including the system of internal control.
- 6.2** The Council is required to test its governance arrangements against the principles contained in the CIPFA/Solace framework 'Delivering good governance in Local Government'.
- 6.3** The CIPFA/Solace framework also requires the Council to provide an outline of the actions taken, or proposed, to deal with significant governance issues.

7. Other implications

7.1 Equal and Diversity

Risk management assists in ensuring barriers to the delivery of services are reduced which in turn supports the achievement of equality and diversity.

7.2 Greenhouse Gas Emission Impacts

There are no impacts on gas emissions.

7.3 Sustainability Implications

The Annual Governance Statement will examine the sustainability of the Council's activity and ensures that mechanisms are in place to deliver business continuity.

7.4 Community Safety Implications

Community safety implications are considered when identifying strategic risks such as safeguarding.

7.5 Human Rights Act

The Annual Governance Statement will take into account any Human Rights Act implications.

7.6. Trade Union

There are no specific implications for the Trade Unions arising from the report.

7.7 Ward Implications

In general the Annual Governance Statement does not focus on individual ward issues.

7.8 Implications for Children and Young People

The Annual Governance Statement includes concerns raised in relation to Childrens Services.

7.9 Issues Arising from Privacy Impact Assessment

None

8. Not for publication documents

None.

9. Options

9.1 Members may –

- Endorse the report
- Provide comment or instruction
- Bring forward any new governance concerns which should be reviewed, assessed or examined for the 2021-22 Annual Governance Statement.
- Require further information.

10. Recommendations

- (1) That the information contained in this report and the progress made in addressing the significant governance challenges be reviewed.**
- (2) That the further actions planned be endorsed.**
- (3) That officers and Members be alerted to any emerging governance concerns requiring review during the 2021-22 process.**

11. Appendices

Appendix 1 - Annual Governance Statement 2020-21: Review of Prior Year Challenges

12. Background documents

“Annual Governance Statement 2020-21” – report to Governance and Audit Committee 23rd September 2021 – Director of Finance and IT.

Annual Governance Statement 2020-21: Review of prior year challenges

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
<p>Safeguarding Vulnerable Children</p>	<p>In relation to Safeguarding Vulnerable Children the Council has made</p> <ul style="list-style-type: none"> • Ongoing efforts to recruit and retain permanent experienced social workers and managers. • Ensuring that training induction for new starters is of a consistently high quality, so that expected standards of casework and case management can be met and maintained. • Work is ongoing to understand imbalances in social work caseloads across the service and to ensure that these are addressed and levelled as appropriate. <p>However, there remain significant challenges in workforce stability, which have led to too many cases having multiple changes of social worker, leading to issues of poor quality and lack of consistency at handover. Some mitigating processes, involving managers and Practice supervisors (who would not normally hold the case allocation) have been necessary in certain cases to ensure quality is maintained.</p> <p>The latest Ofsted Monitoring visit was concluded on 28 April 2021 with the findings</p>	<p>We have recruited temporary and agency staff to fill vacancies and support the work with children and families. This is unfortunately unstable because of the often transient nature of the agency workforce.</p> <p>In response to the Service, HR engaged Seriph, a production company to develop recruitment material for Children’s social care using information on Bradford and videos featuring young people, staff, managers and Lead Member to promote the work of the Council and the benefits for workers to apply for permanent roles. This micro-site is now available and advertised on Community Care, British association of Social Workers (BASW) and others. As it went live in early January it is not possible yet to comment on its impact.</p> <p>Creating a stable workforce over time will promote better relationships with children and families and better outcomes.</p> <p>Induction for all new starters is important to us and each member of staff is now provided 5 working days induction at the start of their employment.</p> <p>We are considering the balance of resources and demand to balance the service needs and resources. With the instability of the workforce it has been difficult to clearly establish the correct levels of support. Further work is underway on this currently as it impacts on the</p>	<p>Marium Haque</p>

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
	<p>reported in June. This noted that:</p> <p>“The local authority is starting to make progress in improving services in some specific areas. However, the progress on the quality of core social work practice has been too slow to show impact for children and families. This has been exacerbated by the breadth of the inadequacy and maintaining service delivery during the pandemic”</p> <p>Additionally, Safer Bradford has published the ‘Emily’ Serious Case Review. This poses serious concerns about the efficacy of some multi-agency practice in respect of Child in Need and CP Plans, the effectiveness of multi-agency meetings and effective information sharing, picking up early signs of neglect, the need to take a holistic overview of a series of reports of neglect and domestic abuse rather than them being treated as separate instances, and the effectiveness of care planning and reviewing as being focused on improving the lived experience of the child.</p> <p>There are emerging issues in terms of management capacity and emerging outcomes within our children’s homes service that require urgent interim action to ensure that the service is stabilised and can progress satisfactorily.</p>	<p>quality of practice and the outcomes for children.</p> <p>The most recent Ofsted Monitoring visit in September noted some progress being made but that progress remains slow.</p> <p>We have increased the management capacity of the Heads of Service by bringing in some experienced and proven temporary managers to drive practice standards and outcomes for children. We have seen a steady increase in the numbers of referrals received at the integrated front door, partly as a result of concerns for the welfare of children following their return to school and potentially latterly due to publicity of the issues raised around the Court Case and the publication of the Serious case review.</p> <p>Bradford Safeguarding Partnership will publish a Serious Case Review on Star Hobson in the near future which identified serious concerns about individual agency and interagency practice similar to lessons identified in other reviews.</p> <p>Ofsted inspected children’s homes in the course of the Summer and Autumn of 2021 and found a number of them to be operating below standard. Subsequently the service bolstered the management capacity with experience managers and recent inspections has demonstrated improvements in the provision and no further homes were judged inadequate.</p> <p>The service developed a more succinct and outcome</p>	

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
	<p>These persistent and ongoing concerns in respect of the perceived insufficient pace of change have resulted in a letter from Vicky Ford MP, Minister for Children and Families, informing us that she is minded to change the Children’s Services Notice to Improve to a Statutory Direction and appoint an independent commissioner to review progress and evaluate further capacity to improve services in a timely way. It is not yet clear what the detailed arrangements for this, or the possible outcomes will be, but the ultimate outcome could be the creation of a Children’s Social Care Trust to elicit improvement at the pace required</p>	<p>focused improvement plan which has been widely shared and developed. This has been noted by partners and Ofsted as an improvement which allows staff and managers to focus more clearly on the critical services we need to deliver. This is regularly monitored.</p> <p>The DFE appointed a Commissioner to assess the authority’s ability to develop and deliver a safe and robust Children’s Social Care system and he has worked alongside the service and the authority for some months and submitted his report to the Secretary of State on 5th January 2022. We await the outcome of the Secretary of State’s considerations.</p>	
<p>Ensuring an effective, integrated system of health and social care</p>	<p>The Council has worked even more closely with the NHS during the 2020/21 pandemic year, responding to different demand patterns, protecting people from the virus and integrating services in different ways. Our shared health and care strategy ‘healthy, happy and at home’ is signed up to by all partners and forms the basis for our joint working.</p> <p>The Wellbeing Board has been renewed over the past year to broaden its agenda to cover all of the wider determinants of health including employment, economy, housing, education and skills – and health and care. This has put Bradford in a better position to respond to the proposed NHS legislation on Integrated Care</p>	<p>The Council has been actively involved and engaged in the design and governance of the new Integrated Care Board and decision-making arrangements within the NHS when the Health and Care Act is passed by Parliament. We will be operating shadow arrangements in Bradford, District and Craven from 1 January until the Bill is passed.</p> <p>We have a comprehensive set of decision-making committees, partnership boards and system committees to discharge the proposed duties which are fully inclusive of the council’s health, care and public health functions and cognisant of the wider contribution the council’s services make to people’s health and wellbeing.</p> <p>The CEO will lead for the partnership on population</p>	<p>Iain Macbeath</p>

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
	<p>Systems and Partnership governance.</p> <p>The Council has actively participated in Bradford’s emerging Integrated Care Partnership, communicating the ‘Act as One’ brand to its staff, updating the Strategic Partnering Agreement and leading on a number of joint work streams. We are represented at all strategic partnership boards and committees.</p> <p>Previous disputes around contributions to the Better Care Fund have all been fully resolved and an agreed BCF plan for 2021/22 was submitted to deadline.</p> <p>A Joint Commissioning and Planning Forum between the council and the NHS now meets monthly to share respective commissioning intentions and jointly plan future models of care. This includes a population health focus with Public Health and Children’s collaboration and our early help and locality working operating model.</p>	<p>health management, the Strategic Director will lead for the partnership on commissioning and service integration and other senior officers are involved in shaping the agenda for their client groups.</p> <p>System Finance & Performance, System Quality and System Planning Committees have been operating for more than six months and have been used to agree allocation of resources and raise issues of quality and planning over that period.</p> <p>The Better Care Fund Plan for 2020/21 was signed off and a revised plan for 2021/22 is already in draft.</p>	
Key Staffing Skills	<p>There is a shortage of professional and skilled staff within the employment market leading to recruitment difficulties to key posts. Inability to recruit in key disciplines could have a significant impact on the Councils ability to deliver services and support the Council’s ambitions within the financial resources available.</p>	<p>To help address youth unemployment in the District we launched our Future Boost programme in June. Since then, more than 2,000 interventions have supported over 1,100 young people. Alongside this more than 500 young people have started on Kickstart placements coordinated by SkillsHouse, of which 254 have been within the Council and 250 across the employer partnership. More broadly, to the end of September 2021, more than 13,800</p>	Anne Lloyd

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
		<p>have entered a positive employment or education destination or had in-work support through Skills House interventions. This includes over half of residents from BAME communities and 20% of participants from residents with a disability. The successful “Building Our Future” bid to the Community Renewal Fund will bring an additional £535,000 funding to focus on addressing inequalities of employment and engagement in education across a range of key groups (young people with disabilities, BAME, women graduates, Care Leavers, long-term NEET). 254 Kickstart placements (increasing weekly) have started across the Authority. The largest take up is in Business Admin support and continues to be a popular choice for young people. The first cohort of our newly established Leaving Care Employability Programme, a 12 month extended Kickstart programme for 15 care leavers commenced over the Summer. Working closely with the LEAP (Learning, Employment, Advice and Preparation) Team, care leavers are identified and encouraged to take up this opportunity. Placements are sourced based on their chosen area of interest and care leavers are given priority. So far, eight care leavers started in placements, and one has now gone on to a full time apprenticeship.</p> <p>We have taken on graduates from the Local Government National Graduate Development Programme and are on our second intake in 2021, and are part of local system talent development and attraction programmes. We are using the apprenticeship levy to develop existing and new skills in roles including professional and skilled roles. There are currently 196 live apprenticeships. In Children’s Services we are focussed on attracting and</p>	

Governance Challenge – AGS 2020-21	Position provided in the Annual Governance Statement 23 rd September 2021	Update for the Governance and Audit Committee 27 th January 2022	Responder
		<p>retaining social workers through a dedicated “bring heart” campaign and microsite, and are developing an ambitious ASYE academy to grow our own given the national shortages of experienced Level 3 Social Workers. We continue to review our approach to total rewards and development and include this as part of our wider attraction strategy. We have consulted on a recruitment and retention market supplement policy to help attract and retain talent in hard to fill roles, where there are market forces at play (e.g. HGV drivers). Workforce planning is progressing in services and a refresh and review of job evaluation and grading schemes is underway.</p>	
<p>Elective Home Education</p>	<p>There has been an acceleration in the growth of elective home education This increases the risk of losses in education and subsequent learning gaps for pupils, lack of opportunities to socialise, potential impact on mental health, decline in school budgets to meet these needs given additional pressures and loss of earnings for Council commercialised services. In 2020/21 this was further exacerbated with further risk to long term learning outcomes for Children & Young people caused by the need to work in bubbles and the need to self-isolate.</p>	<p>The high numbers of children coming off school rolls to be home educated has somewhat stabilised due to investment into the Education Safeguarding team. However there are still roughly 50% more children home educated in the district compared to pre pandemic levels. If parents are not providing a suitable full time education from the start, there can be learning gaps, impact on mental health and curtailment of subsequent opportunities for children. Where children have involvement from other services, such as Children’s Social Care, significant work is necessary to ensure professionals across the district understand rights, roles and responsibilities with regards to EHE.</p>	<p>Marium Haque</p>



Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 27th January 2022

Y

Subject:

Appointment of External Auditors for Statutory Financial Statements

Summary statement:

Previously, Full Council took a decision to opt into the national Local Government Association led approach (via the Public Sector Audit Appointments Ltd) for the procurement of local authority external auditors for the 5-year period April 2018 through to March 2023.

The council now needs to consider the options available for the appointment of the external auditor for the 2023/24 statement of accounts, with a need to appoint an auditor by the end of December 2022.

In September 2021, the Public Sector Audit Appointments Ltd (PSAA) wrote to local authorities to issue a formal invitation to opt into the national sector-led approach for the 5-year period from April 2023. This report therefore sets out the options available to the council for the appointment external auditor.

Chris Chapman
Director of Finance, IT & Procurement

Portfolio:

Corporate

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Overview & Scrutiny Area:

Corporate

1. MAIN ISSUES

- 1.1 The Local Audit and Accountability Act 2014 ended the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. 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.
- 1.2 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 1.3 The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. External auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the next audit contract. In addition, the scope of a local audit is fixed and is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into Public Section Audit Appointments (PSAA) national scheme or chooses to make its own separate arrangements.

The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required. Local authorities therefore have quite limited influence over the nature of the external audit services being procured, with the nature and quality very much determined and overseen by third parties.
- 1.4 The Local Government Association (LGA) set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market.
- 1.5 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. In 2017, Full Council took the decision to decision to opt into the 'appointing person' national auditor appointment arrangements established by the PSAA for the period covering the accounts for 2018/19 to 2022/23.
- 1.6 Under the Local Government Audit & Accountability Act 2014, the council is required to appoint an auditor to audit its accounts for each financial year.

As a principal local government body, the council has three options;

- i) to undertake an individual auditor procurement and appointment exercise,
 - ii) to undertake a joint audit procurement and appointing exercise with other bodies, for example neighbouring local authorities,
 - iii) to join the PSAA's sector-led national scheme.
- 1.7 In terms of option 3, to opt into the national scheme, the decision would need to be made by Full Council.
- 1.8 The PSAA is a not-for-profit organisation, under the umbrella of the Local Government Association, whose costs are around 4% of the scheme with any surplus distributed back to scheme members. In 2019, the PSAA returned a total £3.5m to relevant bodies and in 2021 a further £5.6m was returned.
- 1.9 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. Around 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1st April 2018.
- 1.10 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
- 1.11 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

- 1.12 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 1.13 None of these problems are unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.
- 1.14 The PSAA is now undertaking a procurement for the next appointing period, covering audits for the financial years 2023/24 through to 2027/28. The opt-in period starts on 22nd September 2021 and closes on 11th March 2022. To opt into the national scheme from 2023/24, the council needs to return completed opt-in documents to the PSAA by the 11th March 2022. Based on the level of opt-ins it will enter contracts with appropriately qualified audit firms and appoint a suitable firm to be the council's auditor - details relating to PSAA's invitation are provided at appendix A to this report.
- 1.15 In summary the national opt-in scheme provides the following;
- i) the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1st April 2023,
 - ii) appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints,
 - iii) managing the procurement process to ensure both quality and price criteria are satisfied. The PSAA has previously sought views from the local government sector to help inform the procurement strategy,
 - iv) ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period,
 - v) minimising the scheme management costs and returning any surpluses to scheme members,
 - vi) consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed,
 - vii) consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk, and
 - viii) ongoing contract and performance management of the contracts once these have been let.
- 1.16 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. Through the

national sector-led procurement, the PSAA will;

- i) seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies,
 - ii) continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme),
 - iii) continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. The PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
- 1.17 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Any local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.
- 1.18 Should the council decide to implement option 3, and again opt into the national sector-led procurement, then the council would need to formally respond to the PSAA invitation by the close of the opt-in period which is the 11th March 2022. The PSAA will commence the formal procurement process in early February 2022, and it expects to award contracts in August 2022. There will then be a period of consultation with authorities on the appointment of auditors so that it can make the necessary appointments by the statutory deadline of the 31st December 2022.

2. (A) FINANCIAL & RESOURCE APPRAISAL

- 2.1 The total external audit fee for 2019/20 was £182,235 which comprised £142,694 for the financial statement audit, including the Whole of Government Accounts and procedures in respect of Value for Money assessment, together with a further £39,541 in respect of additional procedures to address regulatory focus areas and additional risks identified due to Covid-19. It should be noted that under the current contractual arrangement any additional fees are subject to agreement with the PSAA.
- 2.2 The cost of establishing a local or joint auditor panel outlined in options 1 and 2

above will need to be estimated and included in the Council's budget. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances. Opting in to the PSAA provides maximum opportunity to limit the extent of any increases by entering into a large-scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

- 2.3 There is a risk that current external audit fee levels could increase when the current contracts end. The scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 2.4 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.

3. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 3.1 The council has a statutory obligation to appoint an external auditor by the end of December 2022 for the audit of the 2023/24 statement of accounts. In practical terms this means that one of the options outlined in this report will need to be implemented in spring 2022 to enable an appointment to be in place. The deadline to opt into the national sector-led approach is 11th March 2022.
- 3.2 The principal risks are that the council fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation or does not achieve value for money in the appointment process. These risks are considered best mitigated by opting into the sector-led approach through the PSAA.

4. LEGAL APPRAISAL

- 4.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 4.2 Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant council is a local council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the council under those arrangements.
- 4.3 Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.
- 4.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been

exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

5. OTHER IMPLICATIONS

5.1 EQUALITY & DIVERSITY

There are no specific equality and diversity issues arising from this report.

5.2 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

5.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no specific greenhouse gas emissions impacts arising from this report.

5.4 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

5.5 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

5.6 TRADE UNION

The Director of Human Resources may advise on this aspect.

5.7 WARD IMPLICATIONS

There are no specific issues arising from this report.

5.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

Nil

5.9 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

There are no specific children and young people implications arising from this report.

5.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

7. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

9.1 As mentioned above, the council essentially has 3 options for the procurement of its external auditor;

- i) **Option 1 (not recommended)** – the council could elect to appoint its own external auditor under the Act, which would require the council to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the council, and 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, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the council’s external audit and the council would need to establish processes and procedures to manage the contract for its duration, overseen by the auditor panel. Whilst it could be argued that setting up an auditor panel allows the council to take maximum advantage and have local input into the decision, the recruitment and servicing of the independent auditor panel, managing the procurement process and negotiating the contract is estimated to cost in the region of £15k plus ongoing expenses. In addition, the council would not be able to take advantage of the economies of scale through the national sector-led approach and the assessment of bids and the decision on awarding the contract would be taken by independent appointees and not solely by elected members.
- ii) **Option 2 (not recommended)** - alternatively, the Act does enable the council to join with other local authorities to establish a joint auditor panel. Again, this would need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each council under the Act and there is no appetite locally in other local authorities for such an arrangement. The advantages of this option compared to option 1 are that the costs of setting up the panel, running the bidding exercise and negotiating the contract would be shared across several authorities and there is greater opportunity for negotiating some economies of scale. However, 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. In addition, the choice of auditor could be complicated where individual councils have independence issues. There could be 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.
- iii) **Option 3 (recommended option)** – to maintain and the current arrangement and again opt into the national sector-led procurement. Under the national auditor appointment scheme the PSAA is specified as the ‘appointing person’

for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015.

9.2 Option 1 and option 2 would require more resource-intensive processes to implement for the council, and without the economies of scale of the sector-led procurement (option 3) would likely result in a more costly service. It would also be potentially more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality. In addition;

- i) The council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
- ii) The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.

9.3 The recommended approach is therefore to opt into the national auditor appointment scheme.

10. RECOMMENDATIONS

10.1 That the Committee recommends option 3 (opt into the national auditor appointment scheme) to Council as the preferred option and that the recommendation be included within reports to Budget Council in February 2022.

Reasons for recommendation

- 10.2 The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council/Authority than a procurement undertaken locally because;
- i) collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements,
 - ii) the alternative options would mean that the council would need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract,
 - iii) it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement, and,

- iv) supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

None

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