Public Document Pack

Notice of Meeting

East Surrey Shadow Authority Audit and Governance Committee

Date and Time	Place	Contact
Monday, 6 July 2026 at 2.00 pm	Council Chamber, Epsom Town Hall, KT18 5BY Online access to this meeting is available on YouTube: Link to online broadcast	democraticservices@epsom-ewell.gov.uk

Committee members

Councillors Councillor Tim Snuggs (Chair), Councillor Stephen McKenna (Vice-Chair), Councillor Nick Abear, Councillor Alex Coomes, Councillor Eva Ferlez, Councillor Fran Fish, Councillor Lynne Fletcher, Councillor Wendy Gibbs, Councillor Nick Greenfield, Councillor Joshua Lambert, Councillor Barry Maguire, Councillor Alan Parker, Councillor Jeremy Pursehouse, Councillor Andrew Stevens and Councillor Jolanta Waugh

MEETING SUMMONS

To the members of the East Surrey Shadow Authority Audit and Governance Committee:

You are hereby summoned to attend a meeting of the East Surrey Shadow Authority Audit and Governance Committee to be held on Monday, 6 July 2026 at 2.00 pm, for the transaction of the business set out in the following agenda.

Such meeting to be held in the Council Chamber, Epsom Town Hall, KT18 5BY.

For enquiries regarding this agenda contact: democraticservices@epsom-ewell.gov.uk
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Daniel Bainbridge
Interim Monitoring Officer
East Surrey Shadow Authority
Published:Friday, 26 June 2026

www,surreylgrhub.gov.uk

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

(i) any disclosable pecuniary interests and / or
(ii) other interests arising under the Code of Conduct

in respect of any item(s) of business being considered at this meeting.

3 MINUTES OF THE PREVIOUS MEETING (Pages 5 - 6)

The Committee is asked to confirm as a true record the Minutes of the inaugural Meeting of the Committee held on 20 May 2026 (attached) and to authorise the Chair to sign them.

4 AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE (Pages 7 - 12)

The Committee is requested to note its Terms of Reference as agreed by the Shadow Authority at its meeting of 20 May 2026 and as detailed in section 3-B5 of the Constitution (excerpt attached).

5 APPROACH TO THE APPOINTMENT OF AN EXTERNAL AUDITOR FOR EAST SURREY COUNCIL (Pages 13 - 20)

This report sets out proposals for appointing the Council's external auditor for the accounts audit for the three-year period 2027/28 to 2029/30.
Surrey County Council and the District and Borough Councils in Surrey have opted into the 'appointing person' national auditor appointment arrangements, established by Public Sector Audit Appointments (PSAA), for the period covering the external audit of the councils' accounts for 2023/34 to 2027/28. PSAA recently extended the current national auditor appointment arrangements for a further two-year period to cover the audits of local bodies for 2028/29 and 2029/30 through mutual agreement with the appointed audit firms. The existing arrangements therefore cover the audit of the existing councils' accounts for 2026/27, the final year they will produce accounts.
East Surrey Council has the right to join the national scheme. To ensure consistency and ease of administration in the procurement and appointment of an auditor, it is recommended that East Surrey Council opt in to the national auditor appointment arrangements through PSAA (soon to become the Local Audit Office) for the period 2027/28 to 2029/30.

6 FORWARD WORK PROGRAMME 2026-27 (Pages 21 - 22)

The Committee is requested to note its forward work programme for 2026-27.

PLEASE NOTE: members of the public are able to attend the meeting in person. The meeting will also be broadcast online on YouTube: Link to online broadcast.

The whole of the meeting will be filmed except where there are confidential or exempt items. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.

Members of the press/public may film or record proceedings, blog or tweet proceedings and take photographs providing they do not disturb the conduct of the meeting. The Chair of the meeting has the discretion to terminate or suspend filming/recording if in her/his opinion continuing to do so would prejudice the proceedings of the meeting or, on advice, considers that continued filming/recording might infringe the rights of any individual.

EMERGENCY EVACUATION PROCEDURE

No emergency drill is planned to take place during the meeting. If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions.

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

East Surrey Shadow Authority Audit and Governance Committee
on 20 May 2026 at 4:35pm
Council Chamber, Surrey County Council

Members: (*present)
*Alex Coomes,
*Eva Ferlez,
*Wendy Gibbs,
*Joshua Lamber,
*Barry Maguire,
*Andrew Stevens,
*Jolanta Waugh,
*Lynne Fletcher,
*Alan Parker,
*Jeremy Pursehouse,
*Tim Snuggs,
*Nick Abear,
*Stephen McKenna,
*Nick Greenfield

Election of Chair

Councillor Jeremy Pursehouse nominated and Councillor Nick Greenfield seconded Councillor Tim Snuggs as Chair of the East Surrey Shadow Authority Audit and Governance Committee.

RESOLVED that Councillor Tim Snuggs be elected as the first Chair of the East Surrey Shadow Authority Audit and Governance Committee.

Apologies for Absence

There were none.

Declarations of Interest

There were none.

Election Of Vice Chair

Councillor Nick Abear nominated and Councillor Lynne Fletcher seconded Councillor Stephen McKenna as Vice Chair of the East Surrey Shadow Authority Audit and Governance Committee.

RESOLVED that Councillor Stephen McKenna be elected as the Vice Chair of the East Surrey Shadow Authority Audit and Governance Committee.

Closed 4:24pm

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PART 3-B5: TERMS OF REFERENCE OF THE AUDIT AND GOVERNANCE COMMITTEE

1.0 Introduction

1.1 During the transition year, the Audit and Governance Committee of the Shadow Authority will provide oversight of a range of core governance and accountability arrangements that will be required to assist the new East Surrey Council and ensure robust arrangements are in place from vesting day.

1.2 The roles and functions of the Audit and Governance Committee are set out below:

Creation of governance, risk and control arrangements

1. To support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

2. To develop a risk management framework and associated control environment for the East Surrey Council. This will include understanding the risk profile of the organisation and ensuring active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

3. To develop a system of internal control, including arrangements for financial management, policies on "raising concerns at work / whistleblowing", ensuring value for money, and managing the authority's exposure to the risks of fraud and corruption.

4. To develop the East Surrey Council's contract standing orders and review the financial regulations as required.

Financial and governance reporting

5. To support the development of effective arrangements for financial reporting.

6. To oversee preparations for the East Surrey Council’s compliance with the prevailing Accounts and Audit Regulations and CIPFA guidance notes.

Establishing appropriate and effective arrangements for audit and assurance

7. To consider the arrangements that need to be in place to secure adequate assurance across the East Surrey Council’s full range of operations and collaborations with other entities.

8. To approve the internal audit strategy and work plan for the East Surrey Council.

9. To review any internal audit reports relating to the Implementation Programme and monitor associated management actions.

10. To receive and approve external audit plans for the new East Council from vesting day.

11. To consider any other matters referred to the Committee by the Chief Financial (Section 151) Officer, or Head of Paid Service, or Senior Responsible Officer.

2.0 Training

2.1 Prior to sitting, either as a Member or as a substitute, on this Committee, all members are required to undertake relevant mandatory training.

3.0 Composition

Membership

3.1 The Audit and Governance Committee comprises:

- 15 Shadow Councillors; and
- Up to 2 independent co-opted Members

3.2 The Chair and Vice Chair of the Committee shall be elected and appointed by the Audit and Governance Committee at their first meeting.

3.3 The Committee may be chaired by an Independent Co-opted Member or an elected Member. If the latter, they should be from a political group that does not form part of the Administration of the Shadow Authority. In the absence of the Chair, a meeting of the Committee shall be chaired by the Vice Chair.

3.4 The Vice Chair shall be an elected Member appointed to the Committee, from a political group that does not from part of the Administration of the Shadow Authority. The Vice Chair's purpose will be to support the Chair of the Committee.

3.5 Members shall be appointed in accordance with the political composition of the Shadow Authority in compliance with sections 15 to 17 of the Local Government and Housing Act 1989.

3.6 The quorum of the meeting shall be 8 members of the Committee.

4.0 Sub Committees of the Audit and Governance Committee

4.1 The Audit and Governance Committee has the power to establish Sub Committees, and appoint to them from within their membership, and to agree terms of reference for such Sub Committees.

5.0 Independent Co-Opted Members

5.1 The Independent Co-opted Members shall be appointed by the Shadow Authority for an initial term of office until Vesting Day which may be extended with the agreement of the East Shadow Council.

5.2 The Independent Co-opted Member role is to support the Council's Audit and Governance Committee in its role to provide independent assurance to the Members of the Shadow Authority and its wider residents and stakeholders.

5.3 The Independent Co-opted Members shall be permitted to vote on any business of the Committee.

5.4 At the end of the term of office, (through lapse of time, removal, or by choice of the Independent Co-opted Member concerned), the Shadow Authority shall invite applications from the general public for appointment as Independent Co-opted Members of the Audit and Governance Committee.

5.5 To be eligible for appointment, candidates must not be engaged in party political activity or have been, at any time in the preceding five years, a member, co-opted member or officer of Surrey County Council or any of the East and West Surrey councils, or of a Parish Council within the Shadow Authority's area, or be a relative or close friend of a councillor or officer of the Shadow Authority.

5.6 Ideally candidates will have significant experience of working at a senior level in a large, complex organisation and have a very good understanding of strategic or financial management or have sat previously on an Audit Committee.

5.7 The Monitoring Officer and Chief Finance Officer, or their representatives, shall short-list candidates and invite them for interview by a panel comprising two members of the Audit and Governance Committee, the Monitoring Officer and the Chief Finance Officer, or their representatives. The recommendations of the Panel, as to the appointment of Independent Co-opted Members, shall be referred to the Shadow Authority for approval.

5.8 Independent Co-opted Members will be expected to actively participate in meetings of the Audit and Governance Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making.

5.9 Independent Co-opted Members will contribute to the work of the Audit and Governance Committee in its role and functions as set out in paragraph 1.1 and 1.2 above.

6.0 Questions by Members of the Public

6.1 Members of the public may submit written questions to the Chair of the Audit and Governance Committee.

6.2 A member of the public is limited to asking three such questions, on materially different topics, at any meeting of the Audit and Governance Committee.

6.3 No public questions shall be permitted at the inaugural meeting of the Audit and Governance Committee, nor any extraordinary or special meetings of the Audit and Governance Committee.

6.4 Any such question may be rejected by the Monitoring Officer if it appears to them that it is:

- defamatory, frivolous, vexatious or offensive,
- not about a matter for which the Audit and Governance Committee has powers or duties;

- is substantially the same as a question which has been put at a meeting of the Audit and Governance Committee within the last six months;
- it requires the disclosure of confidential or exempt information;
- it refers to legal proceedings taken or anticipated by or against the Shadow Authority; or
- it would more appropriately be responded to by the Shadow Authority under the Freedom of Information Act 2000, or the Data Protection Act 1998 as amended.

If a question is rejected by the Monitoring Officer, the member of the public shall be advised of the reason for rejection.

6.5 The Monitoring Officer may, having consulted the questioner, reword any question received to bring it into proper form and to secure reasonable brevity. Copies will be circulated to members of the Committee as appropriate.

The length of any such question is limited to a maximum of 150 words.

6.6 A question will only be accepted by the Monitoring Officer from a member of the public if it is submitted in writing via email to the Monitoring Officer at XXX by midday, 7 clear working days before the day of the meeting, provided it is not rejected due to any of the grounds above.

6.7 Questions will be taken in the order in which they are received by the Monitoring Officer and directed to the Chair of the Audit and Governance Committee. Questions will be asked and answered without discussion. The Chair of the Committee may decline to answer a question, provide a written reply or nominate another Member to answer it on his/her behalf.

6.8 There shall be a total time limit of 30 minutes at a meeting of the Audit and Governance Committee for taking questions from members of the public. Questions shall be taken in the order in which they are received, except that the Chair may choose to take similar questions together. If the 30 minutes expires during a supplementary question or answer, the Chair may allow the supplementary question to be heard and responded to.

6.9 At the meeting, the member of the public is able to attend either in person or remotely to put their question(s) and has the right to ask one supplementary question without notice to the same Member. The supplementary question must arise directly from the original question or the reply. The member of the public has a maximum of 1 minute to put their supplementary question and the Member responding has a maximum of 2 minutes to respond.

6.10 If the member of the public is not able to attend the meeting either in person or remotely, the question may be read out by an officer.

6.11 The question and any written response will be recorded in the minutes of the meeting.

EAST SURREY SHADOW AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 6 JULY 2026

REPORT OF CABINET MEMBER: ANDY BURTON (PORTFOLIO HOLDER FOR FINANCE AND RESOURCES)

LEAD OFFICER: NIKKI O'CONNOR, INTERIM CHIEF FINANCE OFFICER, SECTION 151

SUBJECT: APPROACH TO THE APPOINTMENT OF AN EXTERNAL AUDITOR FOR EAST SURREY COUNCIL

Purpose of the Report:

This report sets out proposals for appointing the Council's external auditor for the accounts audit for the three-year period 2027/28 to 2029/30.

Surrey County Council and the District and Borough Councils in Surrey have opted into the 'appointing person' national auditor appointment arrangements, established by Public Sector Audit Appointments (PSAA), for the period covering the external audit of the councils' accounts for 2023/34 to 2027/28. PSAA recently extended the current national auditor appointment arrangements for a further two-year period to cover the audits of local bodies for 2028/29 and 2029/30 through mutual agreement with the appointed audit firms. The existing arrangements therefore cover the audit of the existing councils' accounts for 2026/27, the final year they will produce accounts.

East Surrey Council has the right to join the national scheme. To ensure consistency and ease of administration in the procurement and appointment of an auditor, it is recommended that East Surrey Council opt in to the national auditor appointment arrangements through PSAA (soon to become the Local Audit Office) for the period 2027/28 to 2029/30.

Recommendations:

The Audit and Governance Committee recommends to East Surrey Shadow Council:

1. To opt in to Public Sector Audit Appointments (PSAA) sector-led option for the appointment of external auditors to principal local government and police bodies from 2027/28.
2. To authorise the Interim Chief Finance Officer, as the authorised officer, to sign and return the opt in notice to PSAA and s151 Officer for successor frameworks under the Local Audit Office.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the full Council.

Reason for Recommendations:

To comply with the Council's duty under the Local Government Audit and Accountability Act 2014, to appoint an auditor to audit its accounts for each financial year.

Options, including alternatives (if any)

Option 1: Opt in to the PSAA Framework (Recommended)

The national offer provides the appointment of an independent auditor with limited administrative cost to the council and will achieve value for money on audit fees. Opting into the PSAA framework will also be consistent with the current approach taken by Surrey County Council and the District and Borough Councils in Surrey, ensuring that audit knowledge is retained and transferred to East Surrey Council. It is worth noting that around 98% of Councils nationally have opted into the PSAA framework.

This recommended option also negates the need for a tendering process to appoint an external auditor ensuring we are transitioning to the new authority on a safe and legal basis.

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

Option 2: Do not opt in to the PSAA Framework (not Recommended)

A decision to not opt in to the PSAA framework would require the establishment of an independent auditor panel to make a stand-alone appointment. As set out in the report, members of the panel must be wholly or a majority of independent members as defined by the Act. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.

Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. 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 the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be 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.

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.

Summary:

Background

1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the council is required to appoint an auditor to audit its accounts for each financial year. The council has three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.

- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA). From 1 April 2027, the responsibilities of PSAA Ltd will transfer to the Local Audit Office.

2 In order to opt in to the national scheme, a council must make a decision at a meeting of the full Council.

The Appointed Auditor

3 The auditor appointed by PSAA will undertake the statutory audit of accounts and provide the Value for Money assessment of the council's arrangements 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.

4 The auditor must act independently of the council and the main purpose of the Act is to ensure that the appointed auditor is sufficiently qualified and independent.

5 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.

6 Auditors are currently regulated by the FRC however, their responsibilities will pass to the Local Audit Office during 2026/27.

7 Councils therefore have very limited influence over the nature of the external audit services they receive, as audit arrangements are determined or overseen by third parties.

Appointment by the Council or jointly

8 The Council may 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 itself, 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.
- Manage the contract for its duration, overseen by the Auditor Panel.

9 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. 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 the Council would need to liaise with other local authorities to assess the appetite for such an arrangement. It is understood that the majority of councils (98%) nationally are already opted-in to the national

scheme and, whilst East Surrey Council could form a joint auditor panel, the scope for finding more than two partners may be limited.

The national auditor appointment scheme

10 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. PSAA let five-year audit services contracts in 2022 for the period covering audits of the accounts from 2023/24 to 2027/28. In 2025, through mutual consent with the appointed audit firms, the appointing period and audit contracts were extended by 2 years to also cover the audits for 2028/29 and 2029/30.

11 PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

12 In summary, the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits
- 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; PSAA have stated that for consistency, they will seek to appoint an auditor to East Surrey Council that has existing audit knowledge of either Surrey County Council or the District and Borough Councils in Surrey.
- managing the procurement process to call off their established framework;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

Local Audit Reform

13 In recent years there have been significant issues in the local audit system. The system has faced significant backlog of outstanding unaudited accounts at local authorities covering multiple financial years. These issues have arisen due to a combination of:

- Specific financial and governance issues at individual authorities
- A shortage of capacity and skills within local authority finance teams, along with recruitment and retention issues
- A shortage of capacity and skills within audit firms to deliver local government audits
- Financial reporting changes
- Changes in professional auditing standards
- Fragmented roles and responsibilities in relation to local audit across a number of regulatory bodies

14 To address these issues, the Government has introduced Local Audit Reform and a programme of audit backstop dates to clear the backlog and enable a

greater focus on recent accounts to re-establish audit assurance. Local Audit Reform will create a Local Audit Office, which will provide vital oversight and streamline the audit system. The Local Audit Office will incorporate the role and function of PSAA as well as regulatory oversight and standards setting. The Local Audit Office will take responsibility for the backstop programme.

15 The backstop programme established a five-year programme to rebuild audit assurance. It has resulted in many disclaimed audit opinions both on the accounts and in relation to value for money arrangements. 2024/25 was the second year of the backstop programme. Within Surrey, the County Council and four District and Borough councils have published unqualified audited accounts for 2024/25 by the backstop deadline of 27 February 2026 and seven District and Borough Councils have published disclaimed audit opinions. The date to publish unaudited accounts for 2025/26 to 2027/28 is 30 June each year, with audited accounts for 2025/26 required by 31 January 2027, 2026/27 accounts by 30 November 2027 and 2027/28 accounts by 30 November 2028. The Finance Workstream within the Devolution and Local Government Re-organisation Implementation Programme is monitoring existing councils progress against these deadlines, to put plans in place to ensure that East Surrey Council complies with the statutory deadlines from 2026/27 onwards. The new Councils will be responsible for the 2026/27 accounts of the legacy councils.

Consultation:

16 Whilst no formal consultation has been carried out on this proposal, the Finance Workstream have consulted with the Chief Finance Officers (S151 Officers) of the existing councils in Surrey, who support the recommendation.

Risk Management and Implications:

17 The principal risks are that the Council:

- Fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation.
- Does not achieve value for money in the appointment process.

18 These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Financial and Value for Money Implications:

19 PSAA set the core audit scale fee nationally, following consultation with opted in authorities, key stakeholders and other relevant bodies. Scale fees are published on the PSAA website. Fee variations may apply depending on changes in accounting and audit standards and the auditor’s assessment of the level of audit work required at each Council, following audit planning and risk assessment and taking into account local circumstances. PSAA notify

each opted in body of their core scale fee prior to the start of the financial year.

20 Each existing Council in Surrey holds a budget for external audit fees. The 2025/26 scale fees for Surrey Councils are listed as follows:

Council	**Auditor**	**Scale Fee**
Surrey County Council	Ernst & Young	£428,073
Elmbridge Borough Council	Grant Thornton	£169,716
Epsom and Ewell Borough Council	Grant Thornton	£174,679
Guildford Borough Council	Grant Thornton	£260,797
Mole Valley District Council	Grant Thornton	£194,636
Reigate and Banstead	Grant Thornton	£168,537
Runnymede Borough Council	Grant Thornton	£222,349
Spelthorne Borough Council	Grant Thornton	£228,498
Surrey Heath Borough Council	Grant Thornton	£157,230
Tandridge District Council	Grant Thornton	£170,813
Waverley Borough Council	Grant Thornton	£182,074
Woking Borough Council	Grant Thornton	£335,384
Total		**£2,692,786**

21 Published scale fees for recently formed new unitary councils in Northamptonshire and Cumbria range from £725,000 to £822,000, suggesting that a saving may be achievable for East Surrey Council based on existing fees.

22 The actual scale fees for 2026/27 and 2027/28 have not yet been published.

Section 151 Officer Commentary:

23 East Surrey Council will operate in a very challenging financial environment, with significant budgetary pressures from increasing demand and costs of service delivery, coupled with limited financial resources and reducing government funding. East Surrey Council will be increasingly reliant on Council Tax as the primary source of income.

24 Decisions made by the sovereign councils in East Surrey and the East Surrey Shadow Authority will need to consider the ongoing financial impact and ensure that expenditure does not exceed the resources available. It is vital that significant importance is placed on effective financial management and medium-term financial sustainability to achieve a balanced budget position and protect service delivery.

25 The officer recommendation to opt in to the PSAA external audit framework enables East Surrey to meet the requirement to appoint an external auditor, without needing to set up an independent panel that is likely to be both time consuming and result in higher costs. The PSAA procurement awards long term contracts to a sufficient number of firms to enable the appointment of appropriately qualified, independent audit teams to every participating body. The national approach to procurement of external audit encourages audit suppliers to submit prices which are realistic in the context of the current market, drives economies of scale in audit fees, provides effective contract management support and contributes the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery.

Legal Implications (Monitoring Officer Commentary):

26 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

27 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Paragraph 1 of Schedule 3 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.

28 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

29 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.

30 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in to the national auditor appointment scheme must be made by Full Council. To comply with this regulation it is necessary for the Audit Committee to make the recommendation to Council.

Workforce Implications:

31 This commentary is provided by Surrey County Council Director of People and Change in the capacity of People, Workforce and Culture Workstream Lead.

32 There are no workforce implications as a result of this report. External Audit Services are fully commissioned services that by law, need to be independent of the Councils. Once appointed, the external auditors will undertake an independence review to ensure that there are no related party interests between the audit team and senior officers of the Council. East Surrey Council will need to ensure that it retains capacity within its finance function to adequately service the external audit of its accounts and respond to auditor queries to achieve an unqualified audit opinion.

Equality and Diversity:

33 There are no Equality and Diversity considerations arising from this report.

What Happens Next:

34 If the Audit Committee and then Council agree the recommendation to opt into the PSAA national auditor appointment arrangements, the Interim Chief Finance Officer will complete and send the ‘Opt in’ form. It is anticipated that PSAA will appoint an auditor to East Surrey Council by around January 2027.

Report Author: Claire Morris, Deputy Workstream Lead, Finance D&LGR Implementation Workstream

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Audit and Governance Committee Forward Work Programme– 2026/27

Report title	Remit / Scope	Report author	Responsible officer
2 SEPTEMBER 2026			
Appointment of Co-optees to Audit and Governance Committee	To comply with the West Surrey Shadow Authority Constitution, as included in the terms of reference for the A&G Committee, up to two independent co-opted members must appointed to the Committee.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
2 NOVEMBER 2026			
Risk management approach for East Surrey	Approve the Risk Management approach for West Surrey. This will be minimum required to enable new authorities to manage strategic risks (ie linked to achievement of corporate strategy objectives) from Y1 and to have assurance that service risks inherited from predecessor Councils are being managed effectively.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
9 MARCH 2027			
Internal Audit Plan 2027/28	To approve the Internal Audit Plan for Vesting Day onwards.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)

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