

PART I

**8. APPOINTMENT OF EXTERNAL AUDITORS
(DoF)**

1. Summary

- 1.1. This report sets out the approach for the appointment of the Council's external auditors from 1 April 2023.

2. Details

- 2.1 The Local Audit and Accountability Act 2014 set out the framework for the audit, including the general powers and duties of auditors, and the process for the appointment of auditors of local government accounts following the abolition of the Audit Commission. The Act made provision for the Secretary of State to legislate in order to be able to specify an 'appointing person' who would be able to act to appoint auditors for bodies covered by the Act.
- 2.2 The Local Audit (Appointing Person) Regulations 2015 made provision about the persons that may be specified as an appointing person.
- 2.3 The Public Sector Audit Appointments Ltd (PSAA) is an appointing person under the Local Audit Regulations. As an 'appointing person' the PSAA is responsible for the procurement and appointment of external auditors and for setting the fee scale.
- 2.4 The PSAA operate a national scheme for the appointment of auditors. Auditors are appointed on a five year basis. Three Rivers District Council opted into the scheme for appointments covering the financial years 2018/19 to 2022/23 which resulted in the appointment of the Council's current auditors, Ernst Young.
- 2.5 The invitation to opt into the PSAA national scheme for the five year period beginning in 2023/24 is at appendix 1. This sets out the timeline for opting into the national scheme, the benefits of opting into the scheme and the expected procurement timeline.
- 2.6 The PSAA expects to commence the procurement of audit services in early February 2022. All opted-in bodies will have the opportunity to view the procurement documentation.
- 2.7 The invitation to opt into the national scheme must be confirmed by 11 March 2022. The decision to opt into the scheme must be taken by full Council. It is recommended that the Council continues to opt in to the national scheme.

3. Options/Reasons for Recommendation

- 3.1. The recommendation enables the Council to appoint external auditors from 1 April 2023 when the current external audit arrangements end.

4. Policy/Budget Reference and Implications

- 4.1. The recommendations in this report are within the Council's agreed policy and budgets.

5. Legal, Staffing, Environmental, Community Safety, Customer Services Centre, Communications & Website Implications

- 5.1. None specific.

6. Financial Implications

- 6.1. There are no changes to the budget already agreed by Members as a result of this report.

7. Risk Management and Health & Safety Implications

- 7.1. The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.
- 7.2. The subject of this report is covered by the Finance service plan(s). Any risks resulting from this report will be included in the risk register and, if necessary, managed within this/these plan(s).

| Nature of Risk | Consequence | Suggested Control Measures | Response (tolerate, treat, terminate, transfer) | Risk Rating (combination of likelihood and impact) |
|--|--|--|---|--|
| The Council does not appoint external auditors for 2023/24 onwards. | The Council is unable to comply with statutory requirements as set out in the Local Audit and Accountability Act 2014. | Opting into the PSAA national scheme | Treat | 4 |
| Appointed auditors do not have adequate local government knowledge and experience. | The quality of the audit work is poor resulting in a low level of assurance and time consuming audit queries. | Opting into the PSAA national scheme is likely to attract firms with relevant local authority knowledge and experience | Treat | 4 |

- 7.3. The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

| | | | | |
|---|----------|------------------|-----------------|-----------------|
| Very Likely ----- Likelihood ----- Remote | Low 4 | High 8 | Very High 12 | Very High 16 |
| | Low 3 | Medium 6 | High 9 | Very High 12 |
| | Low 2 | Low 4 | Medium 6 | High 8 |
| | Low 1 | Low 2 | Low 3 | Low 4 |
| | | Impact -----> | | |
| | | Low | Unacceptable | |

Impact Score

4 (Catastrophic)

3 (Critical)

2 (Significant)

1 (Marginal)

Likelihood Score

4 (Very Likely (≥80%))

3 (Likely (21-79%))

2 (Unlikely (6-20%))

1 (Remote (≤5%))

- 7.4. In the officers' opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Council's Corporate Framework and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

8. Recommendation

To Council

- (a) That the Council confirms that it will opt in to the national scheme for auditor appointments from April 2023

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Appendix - Appendix 1 – Invitation to opt into the PSAA scheme**Background Papers - None**