

DRAFT

Luke Scofield
The Department for Communities and Local Government
Zone 3/G6
Eland House
Bressenden Place
London
SW1E 5DU

Phone: (01772) 534715
Fax: (01772) 534870
Email: gill.kilpatrick@lancashire.gov.uk

Your ref:
Our ref: CT - GK/GG
Date: 28 June 2011

Dear Mr Scofield

The Future of Local Public Audit

Lancashire County Council welcomes the opportunity to respond to the Government's consultation on the future of local public audit. The detailed response set out in the enclosed document has been considered by the Council's Audit Committee, but in addition to this there are a few general comments which the Department may find useful in framing its final proposals. Before responding in detail we should emphasise the strong and productive relationship the Council enjoys with its external auditor from the Audit Commission's in house practice, and our high regard for the quality of work and professionalism delivered by our local audit team. Our objective will be to maintain such standards under any new arrangements.

Firstly while we welcome the fact that the Government considers local authorities should be able to appoint their own auditors we feel that it is extremely important that the public continue to feel confident that the external auditor however appointed remains independent of the Council and will act without fear or favour. Thus we feel that it is important that any opportunity to strengthen the public perception of the auditor's independence is taken, including a prohibition on undertaking non audit work.

Secondly we feel that while the independence of the auditor from the audited is important the Government have not emphasised enough how any new arrangements will serve to deliver a quality audit product. While the Government are proposing a regulatory framework in relation to quality we do not see that the difference between public money and the private money that is at risk in a company is drawn clearly enough in the framework set out.

We are also concerned that the Government runs the risk of being over-prescriptive in a number of areas which should properly be left to local authorities themselves to determine taking into account the needs and wishes of their communities, in particular terms of reference of audit committees and the nature of reporting.

The proposals also suggest changes which might fundamentally change the relationship between the County Council and the various Parish and Town Councils in Lancashire. While these proposals are no doubt a sensible response to the issues they seek to address it is clear that they have not been viewed in this wider context. Is the change in relationship that will occur if the County Council has to act as a regulator towards parishes something that will impact negatively or positively on the way in which the various organisations act together for the benefit of communities? The answer to this question is unknown because it has not been tested, and while the capacity of local government to make things work is significant if this creates a systemic problem it is difficult to see how it might be fixed, given that all the infrastructure which supports alternative options will by that time have been dismantled.

The other area where the proposals are in a sense "shooting in the dark" relates to whether or not the sorts of regulatory framework envisaged will encourage new market entrants and hence promote greater price competition. Whatever framework is created new entrants are only likely to enter the market if they feel there is the capacity and space in the market for them to make money. This will only be clear for potential new market entrants and for purchasers of audit services once the Government's view on the future of the Audit Commission's in house practice has become clear. The Government needs to be clear, not least for the very talented and dedicated staff in the in house practice what its objectives in relation to the development of this market are, and then consider whether the proposed regulatory framework will support this.

As with many other elements of the Government's "Localism" and "Big Society" agendas there is an assumption that there will be numerous qualified volunteers willing to put themselves forward to serve on council audit committees. Again this is an unproven assertion and there has to remain a concern that failure to recruit such volunteers might lead to some form of paralysis in the system due to the inability to attain a quorum.

Finally the Government needs to provide greater clarity in its final proposals on how it envisages the joint procurement of services between local authorities working. As set out the proposals seem likely to disincentivise such action, which is counter intuitive, and will also potentially reduce the effectiveness of audit committees to individual councils.

We look forward to seeing the Government's final proposals.

Yours sincerely



Gill Kilpatrick
County Treasurer