

Audit Committee

Meeting to be held on 27th June 2011

Electoral Division affected: None

The Future of Local Public Audit (Appendices A, B & C refer)

Contact for further information:

George Graham, (01772) 538102, County Treasurer's Department,
george.graham@lancashire.gov.uk

Executive Summary

The Government has published consultation proposals for the new audit regime for local authorities to follow the proposed abolition of the Audit Commission (Appendix A). A copy of the proposals can be found at:

<http://www.communities.gov.uk/publications/localgovernment/localpublicauditconsult>

The County Council's proposed response is set out at Appendix C, with general principles covered in the letter at Appendix B.

In broad terms the Government proposes to mirror the Companies Act regime for local authorities. While as a broad framework this is regarded as acceptable there are certain areas of detail which are considered to require further work.

The proposals also set out specific proposals for the audit of small local bodies, mainly parish and town councils which could have fundamental implications for the County Council.

Recommendation

The Audit Committee are asked to endorse the County Council's proposed response on the future of local public audit set out in appendices B and C.

Background and Advice

During summer 2010 the Government announced its intention to abolish the Audit Commission and free local authorities to appoint their own auditors. At the end of March 2011 the Department for Communities and Local Government published a consultation document setting out their proposals for the new audit regime for local authorities following the abolition of the Audit Commission with a request for responses by 30th June 2011.

In broad terms the key elements of the proposed regime are:

- The National Audit Office will maintain and gain Parliamentary approval for a Code of Audit Practice which will specify the scope of the audit.
- The same regime of regulatory approval and quality assurance as exists in the company sector will apply to the authorisation of firms to undertake this work and the ongoing review of quality once authorised.
- The appointment of the auditor will be made by the Full Council on the recommendation of an Audit Committee with a majority of independent (i.e. non councillor) members.
- The auditor would continue to have duties with regard to reporting in the public interest and dealing with objections although the latter process would be much simplified.
- The relevant Upper Tier Council (the County Council in Lancashire) would be expected to appoint the Independent Examiner for smaller bodies (mainly town and parish councils).
- The relevant Upper Tier Council would determine whether a public interest inquiry should be conducted at a smaller body and what action might be required as a result of such an inquiry.

From the above with the exception of the last two points it might be thought that the degree of change is not significant. However, there are a number of specific issues raised in the proposals to which detailed responses are set out in the appendices.

The key issues set out in the County Council's proposed response are around:

- Ensuring that the quality of the audit product is maintained
- Facilitating joint procurement while maintaining the effectiveness of the Audit Committee for the individual organisation
- Ensuring that the external auditor can be demonstrably free of conflicts of interest in their relationship with the Council enabling them to report without fear or favour.
- The impact of the proposals in relation to small bodies on the County Council's existing relationship with town and parish councils.

Having undertaken this consultation, and received a report from the CLG Select Committee, the Government proposes to produce draft legislation for scrutiny, probably this autumn. The Government has also announced preparations for the "outsourcing" of 2012/13 audits (including the possibility of a bid by the Audit Commission's in house practice) as part of a transition to the new arrangements.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

At this stage there are no specific implications as the Government is consulting on proposals. The detailed implications will become clear when legislative proposals are published.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Directorate/Tel
The Future of Local Public Audit Consultation	30 th March 2011	Downloadable at http://www.communities.gov.uk/publications/localgovernment/localpublicauditconsult

Reason for inclusion in Part II, if appropriate

N/a