

**Report of Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 9<sup>th</sup> November 2012**

**Subject: Local Public Audit; an update**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. DCLG have published a draft Local Public Audit Bill. The main provisions of the Bill are in line with the proposals upon which DCLG consulted and the Council responded.
2. The Bill requires councils to establish independent audit appointment panels upon which elected Members will be in the minority. The panel will make a recommendation to full Council on the appointment of external auditors.
3. The Audit Commission have reappointed KPMG as the Council's external auditors for a period of 5 years starting with the audit of the 2012/13 accounts.
4. The proposed audit fee for the 2012/13 accounts represents a significant reduction of the previous year's fee.

**Recommendations**

5. Members are requested to note the update on the progress of the Local Audit Bill.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to provide Members with a progress report on the Local Public Audit Bill.

## **2 Background information**

- 2.1 Members have previously received reports and updates on the programme to disband the Audit Commission and allow the Council to appoint its own external auditors. Members had a significant input to the Council's response to the consultation exercise undertaken by the Department of Communities and Local Government (DCLG)..

## **3 Main issues**

- 3.1 DCLG have now published a draft Local Audit Bill. The Bill is broadly in line with the proposals upon which DCLG consulted. Key features of the Bill are that councils will be able to appoint their own auditors from an open and competitive market. The proposals require councils to establish an independent audit appointment panel. The proposals require the panel to have a majority of independent members and for the panel to make a recommendation to full council on the appointment of the external auditors. The Council will have the power to appoint auditors other than those recommended by the independent appointment panel but, if this is the case, my publish their reasons for so doing.
- 3.2 The Bill provides for oversight by the National Audit Office, the Financial Reporting Council and the professional accountancy bodies to help ensure that high standards of auditing continue. The National Audit Office will assume responsibility for setting the standards for external audit; the Code of Audit Practice.
- 3.3 Other key features of the Bill include the legislation necessary to abolish the Audit Commission and transfer its assets, liabilities and continuing functions to other bodies.
- 3.4 Until such time as the Bill passes to an Act, the Audit Commission still has the responsibility to appoint councils' external auditors. The Audit Commission have recently concluded an exercise to tender audit services. DCLG required the tender exercise to ask for submissions based on 3 year contracts and 5 year contracts. Depending on the price differentials for the 3 and 5 year contracts DCLG would determine the length of those contracts and therefore when councils would be in a position to appoint their own auditors.
- 3.5 The prices for 5 year contracts were sufficiently competitive to make appointments on that basis and push back the date on which councils can appoint external auditors. The Audit Commission have confirmed that KPMG have been reappointed as the Council's external auditors to audit the accounts for 5 years from 2012/13. At the last meeting of the Corporate Governance and Audit Committee it was reported that the audit fee had reduced to £307,000 from approximately £470,000.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 DCLG have undertaken a consultation exercise on their proposals and the Council responded. A Bill has now been published for consultation and pre-legislative scrutiny.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no specific equality and diversity and cohesion and integration issues related to this update report and the publication of a Bill.

### **4.3 Council policies and City Priorities**

4.3.1 There are no specific Council policies affected by the Local Public Audit Bill

### **4.4 Resources and value for money**

4.4.1 The consultation stage impact assessment estimated that the full programme of DCLG reforms would save £650m nationally in the first five years. The proposed fee for the 2012/13 audit represents a decrease in line with the national impact assessment, resulting in savings to the Council of approximately £163k from the 2011/12 audit fee.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 There are no legal implications of this report and, as the report provides Members with an update to note, there is no decision to call in.

### **4.6 Risk Management**

4.6.1 There are no specific risk management implications associated with this report.

## **5 Conclusions**

5.1 The published Local Audit Bill is in line with the proposals upon which DCLG consulted. The Council made representation that independent audit appointment panels would not be necessary as this role could be undertaken by democratically elected Members of Council. DCLG were not minded to change the provisions in this regard and have published a Bill requiring councils to establish independent audit appointment panels.

## **6 Recommendations**

6.1 Members are requested to note the update on the progress of the Local Audit Bill.

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.