

Audit Committee – 28th April 2011

7. Future of Local Public Audit - Consultation

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Purpose of the Report

This report requests that the members of the Audit Committee comment on the consultation paper from the Department of Communities and Local Government (DCLG) regarding the future of public audit.

Recommendation

The Audit Committee is asked to comment on the consultation paper attached at Appendix B.

Introduction

The DCLG announced some time ago that the Audit Commission would in effect be disbanded and removed by April 2012. The inspection regime around Comprehensive Area Assessment and Use of Resources has already been removed but the Commission still provides an assurance framework around the Statement of Accounts, an opinion on Value for Money, a view around the financial resilience of an organisation, grant certification, the Whole of Government Accounts, and the National Fraud Initiative. Last month the DCLG launched its 65-page consultation report with 50 questions regarding the future arrangements for external audit but these include some major changes for local authority Audit Committees.

The Consultation Paper

The consultation paper is very clear that current arrangements will change and that centralised inspection and supervision through one single organisation will not continue. The government's vision is based on four principles:

- Localism – freedom for Local authorities to appoint their own auditors;
- Transparency – in increasing public accountability;
- Removing overheads – i.e. the Audit Commission;
- High standards of auditing.

A summary of consultation questions is outlined in Section 6 page 56. The committee may wish to comment as to whether the design principles for a new regime are sufficient. These are stated as:

- Independence from the organisation being audited;
- Scope – financial statements, regularity, propriety and value for money;

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- Ability of the Auditors to make the results of their audit available to the public and stakeholders for scrutiny.

Options for the scoping of audit work are outlined with options in Section 4 page 37.

The future vision for Audit Committees is included in Section 3 regarding the commissioning of local public audit services with the Audit Committee recommending and advising full Council on the appointment of external auditors. An outline is given on page 26 of the proposals for the future structure of Audit Committees, which outline recommendations for an independent chair, vice chair, and a majority of independent members compared to elected members in terms of structure. Options for the role of the Audit Committee are outlined on page 27 and 28.

The deadline for responses is the 30th June 2011.

Financial Implications

There are no financial implications in responding to this consultation paper.

Background Papers: *Department for Communities & Local Government Consultation Document – Future of Local Public Audit*
