

7. Draft Audit Bill – Consultation

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Purpose of the report

This report requests that members of the Audit Committee approve the response to the consultation paper from the Department of Communities and Local Government (DCLG) regarding the Draft Audit Bill.

Recommendations

That the Audit Committee is asked to approve the response to the consultation paper.

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. The DCLG initially launched a 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. This Audit Committee responded to that consultation in June 2011.

The DCLG have now published the draft Audit Bill in a 208-page consultation document. This outlines the proposed legislation governing how external Audit will be procured, its remit, and how it will function.

The Consultation Paper

The draft bill outlines the following:

- That the Audit Commission will be abolished by 2015;
- Grant certification arrangements where required will be done through a mix of self certification and free standing tri-partite arrangements;
- Councils will have a statutory duty to appoint an auditor from the register of local public auditors;
- The appointment must be made by full Council on the advice of an independent “auditor panel”. The panel must be independently chaired with a majority of independent members;
- The requirements will allow local bodies to share appointment panels;
- The Financial Reporting Council will be the overall regulator.

- It gives new powers to the NAO (National Audit Office) to undertake national “value for money” studies;
- The NAO will be given new powers to undertake studies for the purpose of identifying improvements that may be made by all English local authorities;
- The NAO will become responsible for developing and publishing the Code of Audit Practice for local public audit;
- The Audit Commissions data matching powers will transfer to the Secretary of State. This in effect will mean that the National Fraud Initiative (NFI) will transfer either to the National Fraud authority, Department of Work and Pensions, or the Cabinet Office.

The draft bill does not outline the legislation for smaller local public bodies (parish and town councils). It has however published some proposals alongside the Bill, including an option for audit to be procured and appointed by a sector-led body. There will need to be further legislation introduced once the framework has been decided.

SSDC’s Response

Our response will outline that:

- The requirement for independent auditor panels is excessive and unnecessary. The proposals are contrary to the Government’s own agenda around localism and devolution;
- We have an Audit Committee that understands the governance requirements of the organisation and see no need to introduce another layer of complexity and cost. We are particularly concerned that the Independent Panel will over time be given further duties by statute as is already demonstrated by the addition of consideration of Public Interest Reports. Public Interest Reports could easily be co-ordinated through the National Audit Office.
- We are reasonably happy about the role of the National Audit Office but are concerned about the scope of the work of the NAO in these additional studies. We feel that there is sufficient self-regulation within local authorities.

The Timetable for Change

Deadline for responses to the DCLG on this consultation	31 st August 2012
Bill introduced to parliament	2013
Royal Assent subject to parliamentary approval	2014
Closure of the Audit Commission	2015
Earliest appointment of external auditors directly by local authorities	April 2017

Financial Implications

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