



Committee and Date

Audit Committee

22 March 2012

10.00 am

Item

12

Public

GOVERNMENT RESPONSES TO THE FUTURE OF LOCAL PUBLIC AUDIT CONSULTATION

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1. Summary

This report provides Members with an update on the Government's response to the consultation on the Future of Local Public Audit, published in January 2012.

2. Recommendations

Members are asked to:

- A. Consider and comment, as appropriate, on the update provided in relation to the Government's response to the consultation on the Future of Local Public Audit and the results of the recent Audit Commission contract award to Grant Thornton (UK) LLP for a five-year audit contract for the West Midlands.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 An Audit Committee has a key function in ensuring effective corporate governance arrangements are in place in the Council. The Government is presently reviewing its approach to Local Public Audit. This is a key aspect of corporate governance and as such the Committee wishes to be informed and involved in this process, as applicable, to help shape its direction and that of the Council.

- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

There are no financial implications in terms of receiving this information, but any resulting activities may require funding.

5. Background

- 5.1 The Government in January 2012 published its final proposals for the reform of external audit following consultation. This report identifies the main messages from those proposals and the next steps.
- 5.2 It is worth noting that the proposals now published by the Government will not affect Shropshire Council until 2017 at the earliest. Following the announced abolition of the Audit Commission, the Government has put into place interim arrangements to appoint external auditors for local authorities through a number of contracts based on geographical areas that will last for five years. Grant Thornton (UK) LLP has been selected to service Shropshire Council as part of the West Midlands area contract.
- 5.3 The key principles to be considered for the Audit Committee are as follows:
- Local authorities will have a statutory duty to appoint their auditors.
 - Appointments will be made by full Council following the advice of an Independent Audit (or Auditor) Appointment Panel (IAAP).
 - The IAAP would be independently chaired with a majority of independent members.
 - Where a body has an independent audit committee (i.e. with a majority of independent members, this can be used instead of a separate panel.
 - The IAAP can be shared across local bodies to facilitate joint procurement exercises.
 - If the Council does not follow the advice of the IAAP in making its appointment, it will be required to publish its reasons for not choosing that advice.
 - The Government is proposing to provide for a limited set of functions of the Panel in legislation around advising on auditor appointment, independence, removal and resignation and public interest reports.
 - The government has acknowledged that where there is an existing audit committee there may be issues about the demarcation of responsibilities between both groups. It is proposing to work with the sector and develop guidance.
 - The IAAP will be required to approve the provision of non-audit services to the Council.

- The external auditor and the IAAP will be designated persons under the Public Interest Disclosure Act.
 - The scope of external audit will continue to include a value for money component.
 - The government intends local public bodies to have responsibility for providing evidence of securing value for money. The government will work with the sector to develop guidance on this.
- 5.4 The Government is proposing to publish a draft bill for pre-legislative scrutiny in spring 2012 and will be holding discussions with local authorities and other relevant bodies to flesh out the underlying details of the framework, and how it might be implemented. The government have confirmed with the Chartered Institute of Public Sector Accountants that these discussions will include further examination and guidance around the relationships between the audit committee and the IAAP.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Future of Local Public Audit, January 2012.

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

Information on the new contracts: <http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/reduce-audit-fees-by-40-percent.aspx>

Cabinet Member (Portfolio Holder) Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member n/a

Appendices None