

AUDIT COMMITTEE

22 June 2015

AUDIT COMMISSION CLOSURE

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

AUD106: LOCAL AUDIT & ACCOUNTABILITY ACT 2014, 4 December 2014

EXECUTIVE SUMMARY:

This Report provides a summary briefing on the arrangements in place following the closure of the Audit Commission.

RECOMMENDATIONS:

1. That the Report be noted.

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## REPORT OF CHIEF FINANCE OFFICER

### 1. Introduction

1.1. The Committee last received an update on the Local Audit & Accountability Act in December 2014. One of the consequences of the Act is the abolition of the Audit Commission with effect from 31 March 2015. This report provides information on the arrangements in place following the closure of the Commission.

1.2. The present arrangements for the appointment of External Auditors (Ernst and Young) will continue until the end of the five year period i.e. until 2017/18.

### 2. Arrangements

2.1. The closure of the Audit Commission on 31 March 2015 marks the point at which other organisations become responsible for delivering several of the Commission's functions the arrangements that have been put in place following from 1 April 2015 are:

#### 2.1.1. **Audit contracts**

An independent company created by the Local Government Association, called Public Sector Audit Appointments Limited (PSAA), will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

#### 2.1.2. **Professional conduct of auditors**

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, a Recognised Supervisory Body (RSB) will determine the eligibility of local public auditors and register them. The RSB will be recognised and supervised by the Financial Reporting Council. The Financial Reporting Council's Audit Quality Review team will review the major local public audits carried out by auditors through new regulatory arrangements.

**2.1.3. Grant certification**

The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.

**2.1.4. Code of Audit Practice**

The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

**2.1.5. Whistleblowing**

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

**2.1.6. National Fraud Initiative**

The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on 1 April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

**2.1.7. Provision of information about audit.**

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of Council Accounts: A Guide to Your Rights, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

**2.1.8. Analytical tools.**

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool.

**2.1.9. National value for money studies.**

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

**2.1.10. Best value inspections**

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

**2.2. Audit Commission historic reports and information.**

The National Archives preserves copies of the Audit Commission's website and these are available at [http://webarchive.nationalarchives.gov.uk\\*/http://audit-commission.gov.uk/pages/default.aspx](http://webarchive.nationalarchives.gov.uk*/http://audit-commission.gov.uk/pages/default.aspx).

OTHER CONSIDERATIONS:

3. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

Audit contributes through the annual audit plan to the corporate governance arrangements of Winchester City Council, which in turn supports the achievement of the objectives of the Sustainable Community Strategy and Portfolio Plans.

4. RESOURCE IMPLICATIONS:

None directly arising from this report.

5. RISK MANAGEMENT ISSUES

The Relevant risk issues will be considered in accordance with the Council's risk management procedures.

BACKGROUND DOCUMENTS:

None