

AUDIT COMMITTEE

12 MARCH 2012

FUTURE OF LOCAL AUDIT – UPDATE IN THE PROCUREMENT OF AUDIT SERVICES

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[AUD007](#) - Future of Local Public Audit – Consultation, 29 June 2011

[AUD009](#) - Future of Local Audit, 26 September 2011

[AUD022](#) – Future of Local Audit, 5 December 2011

EXECUTIVE SUMMARY:

As previously reported, the Department for Communities and Local Government (DCLG) has decided to transfer the audit work of the Audit Commission's in-house audit practice to the private sector and the procurement exercise is underway.

This report provides an update on the progress of the procurement exercise and advises the Committee of a temporary change of lead District Auditor.

RECOMMENDATIONS:

1. That the Committee note the progress and timetable with regard to the outsourcing process for the future local audit, and;
2. That the Committee note the temporary appointment of Stephen Taylor as engagement lead for the Council's External Audit work and take the opportunity to discuss any matters of concern with him at the meeting.

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1. Introduction

1.1. The purpose of this report is to provide an update with regard to the outsourcing of the Audit Commission and the implications for the Council's 2011/12 and future audits.

1.2. It also updates the Committee on a temporary change of District Auditor for the 2011/12 audit.

2. Update on the Outsourcing process

2.1. At its last meeting, the Committee received a report on the progress of the Audit Commission's procurement exercise ([AUD022](#)).

2.2. The tenders have been received by the Audit Commission and the principal bodies procurement timetable sets a date of 24 February 2012 for the private sector firms to be informed whether they have been successful, a further ten day period has been allowed for discussions with the private sector bodies before Audit Commission staff are to be informed, on 6 March 2012.

2.3. A period of consultation on the appointments, with audited bodies, will follow from 23 April to 13 July, followed by the approval of auditor appointments on 23 July 2012.

2.4. The current External Audit team will be completing the 2011/12 audit and will transfer (under TUPE) to their new employer from 31 October 2012.

2.5. Appointments for the 2012/13 audit process will commence from 1 September 2012.

3. Response to consultation

3.1. The DCLG issued the [Government response to the Future of Local Audit Consultation](#) on 4th January. The full document can be found by following the link - a short extract is provided below:

129 Having set out the key elements of the arrangements for principal bodies, we plan to hold further discussions with local authorities and other local public bodies, as well as audit firms, to flesh out the underlying detail of the framework, and how it might be implemented. We will also be working with key partners and the Audit Commission to develop appropriate transitional arrangements.

130. The Government will bring forward legislation to close down the Audit Commission and to put in place a new framework in line with the proposals set out in this response as soon as Parliamentary time allows. We intend to publish a draft Bill for pre-legislative scrutiny in Spring 2012, which allows for examination and amendments to be made before formal introduction to Parliament.

131. The Audit Commission is currently in the process of outsourcing all the audit work of its in-house practice. The outsource contracts that the Commission will put in place will start from 2012-13 and are expected to run for three or five years giving local councils and other public bodies the time to plan for appointing own auditors. Once the audits have been outsourced the Commission will be radically reduced in size to become a small residuary body responsible for overseeing the contracts and making any necessary changes to the individual audit appointments during the life of the contracts.

3.2. It is proposed that Auditors for Local Authorities will be appointed by full Council.

4. Changes for the 2011/12 year end Audit

The District Auditor who was responsible for the City Council's audit, Patrick Jarvis has now left the Audit Commission. The Council has been notified that the process to find a permanent replacement has commenced and that in the interim period Stephen Taylor, an Audit Commission director, will act as engagement lead for the Council. In addition, the Council has received confirmation that there will be minimal disruption to the 2011/12 audit by these changes.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE CHANGE PLANS (RELEVANCE TO):

External audit is a statutory requirement. Achieving corporate priorities must go hand in hand with accounting for how the public's money has been spent.

6. RESOURCE IMPLICATIONS:

There are no direct implications arising from this report.

7. BACKGROUND DOCUMENTS

[Government response to the Future of Local Audit Consultation](#)

[Future of the Audit Commission](#)

[Outsourcing Strategy](#)

APPENDICES:

Appendix A – Key Milestone timetable

Key Milestone timetable as presented on the Audit Commission website

Key milestone	Principal bodies' procurement
Issue Contract Notices in the Official Journal of the European Union	5 September 2011
Issue pre-qualification questionnaires (PQQ) on request	From 5 September 2011
Deadline for return of PQQs	7 October 2011
Issue invitations to tender and anonymised TUPE information to selected suppliers	w/c 24 October 2011
Deadline for submission of tenders	16 December 2011
Approval of contract awards	w/c 20 February 2012
Consultation with audited bodies on appointments	23 April - 13 July 2012
Approval of auditor appointments	w/c 23 July 2012
Appointments for 2012/13 commence	1 September 2012
Staff transfer to firms awarded contracts	31 October 2012