

AUDIT COMMITTEE

25 June 2013

LOCAL AUDIT AND ACCOUNTABILITY BILL

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

Draft local Audit Bill (Oral update), 25 September 2012

EXECUTIVE SUMMARY:

This Report provides a summary briefing on the Local Audit and Accountability Bill, which was published in May 2013.

This Bill will put in place a new local audit and accountability framework for local public bodies in England.

One of the main changes is that the Audit Commission will be abolished and in its place a framework will be created whereby councils will appoint their own external auditors, at least once every 5 years. They will need to consult and take into account the advice of an independent auditor panel.

RECOMMENDATIONS:

1. That the Report be noted.

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1. Introduction

1.1. The Committee last received an update on the Draft Local Audit Bill in September 2012.

1.2. The Local Audit and Accountability Bill had its second reading in the House of Lords on 22 May 2013. The Bill will introduce a new regime for the auditing of public bodies, extends the council tax referendum provisions introduced in the Localism Act and covers the legal status of the local authority publicity code, applying to publications such as those that might be thought to compete unfairly with local newspapers.

1.3. It will abolish the Audit Commission and create a framework whereby councils will have to establish an independent auditor appointment panel in order to be able to appoint their own auditors. The majority of members serving on the appointed Audit Panels would be independent members and should not have served as Councillors or Officers within the preceding last five years.

1.4. The new framework will retain a proportionate audit regime for smaller authorities.

1.5. The rights of taxpayers to inspect the accounts and raise objections if they think there are matters on which the auditor should report, will be protected.

1.6. The Bill allows for the continuation of the National Fraud Initiative.

2. Abolition of the Audit Commission

2.1. The Audit Commission currently appoints auditors to a range of public bodies in England. It sets expected standards for auditors and oversees their work. It also compares data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

2.2. Until its final closure the Commission will let and manage audit contracts, support the audit regime and analyse the results and outcomes of audit and publish reports.

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

2.4. Responsibility for setting the codes of audit practice and guidance, which set out the way auditors are required to carry out their functions will be performed in future by the National Audit Office.

2.5. The Financial Reporting Council will supervise the arrangements for recognised auditors.

2.2 Appointment of Auditors

The procedure by which local authorities should appoint auditors is set out. Provision is made for councils to procure audit (a local auditor) either jointly as part of a regional or national framework, or to appoint auditors themselves. There is a requirement for auditor appointments to be made on the basis of advice from an independent auditor panel comprising a majority of independent members and an independent chair. The auditor panel should not be treated as a committee of the authority when it is acting for the purposes of the enactment and its reasonable expenses should be met by the Council. The auditor panel will advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts. The appointment of the local auditor has to be advertised by public notice within 28 days of the appointment.

2.3 National Audit Office

The National Audit Office (NAO) will have the powers to carry out examinations into the economy, efficiency and effectiveness of local authorities. It includes a provision that the NAO must consult relevant parties, including councils, about any examinations they wish to undertake.

2.4 General Requirement for Accounts

Councils are required to have “adequate accounting records” that show and explain the Council’s transactions, disclose at any time, with reasonable accuracy, the financial position of the authority at that time and enable the authority’s statement of accounts to comply with requirements of the Act.

OTHER CONSIDERATIONS:

3. SUSTAINABILITY COMMUNITY STRATEGY AND CHANGE 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 Change Plans.

4. RESOURCE IMPLICATIONS:

The proposed auditor panel of a majority of independent members will be required to have its reasonable expenses met.

5. RISK MANAGEMENT ISSUES

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

None