

AUDIT COMMITTEE

26 September 2011

FUTURE OF LOCAL AUDIT

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

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

EXECUTIVE SUMMARY:

The Department for Communities and Local Government (DCLG) has been considering the options for transferring the audit work of the Audit Commission's in-house audit practice to the private sector. The Government have now decided the best value for money will be achieved by outsourcing the work through a procurement exercise.

New contracts will be awarded for three or five years, commencing from the audit of the accounts for 2012/13. Contracts will be awarded in spring 2012 to allow new auditor appointments to be in place by 1 September 2012.

The procurement process does not affect the current audit of the accounts for the 2011/12 financial year.

As contracts will not be awarded until spring 2012, the auditors for 2012/13 will not be appointed until after the start of that financial year. As an auditor needs to be in place at the start of the financial year, there is a need to make an interim auditor appointment to cover the period from 1 April 2012 to 31 August 2012. To minimise disruption, the DCLG propose to extend current auditor's appointment to deal with any issues that may arise during that period. This 'interim' auditor's role will be limited to keeping a 'watching brief'. Any costs incurred by interim auditors will be paid by the Audit Commission. Formal consultation on the interim appointment will be made by the end of this year.

Following the procurement exercise the new auditor will be appointed by the Audit Commission to audit the 2012/13 and future years' accounts (opinion on the financial statements and the annual VFM conclusion) with effect from 1 September 2012. The Council will be consulted on this appointment following the award of contracts in spring 2012.

Appended is a copy of the Audit Commission's recent press release.

RECOMMENDATION:

That the proposals for the future of local audit be noted.

**CONTRACT AREAS ANNOUNCED FOR AUDIT PRACTICE
OUTSOURCING**

Released 6 September 2011

The Commission has today formally launched the process for outsourcing the work of its Audit Practice. We have issued the Contract Notices for the procurement of audit services for principal bodies and limited assurance audits. The Contract Notices include the details of the contract areas or lots and are available on the [Commission's website](#).

For the principal bodies' procurement, bids will be invited for ten contract lots in four geographical regions, as set out below:

	Estimated lot size (£ million)
Northern	
North-west	12.5
North East and North Yorkshire	5
Humberside and Yorkshire	6.9
Central	
West Midlands	8.9
East Midlands	7.8
Eastern	8.6
London	
London (North)	8.4
London (South), Surrey and Kent	11.7
Southern	
South East	11.4
South West	8.2

Suppliers invited to tender will be free to bid for all lots available in all regions. However, only one lot will be awarded to any one supplier in any one region. This means that the maximum number of lots in total that any one supplier can win is four.

For limited assurance audits of small local public bodies, such as parish and town councils, there are 28 lots of £100,000, but these are not based on geographical areas. The lots are designed to give the Commission flexibility to appoint a supplier to a number of county areas. Suppliers invited to tender will be free to bid for up to a maximum of nine lots.

The Commission has also today published its procurement strategy which sets out the objectives of the two procurement exercises and how they will be carried out.

Notes to editors

1. In August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission (the Commission). At the same time, he indicated his intention to transfer the Commission's in-house Audit Practice (the Audit Practice) to the private sector, and in due course, to abolish the residual element of the Commission.
2. The Commission has worked closely with the Department for Communities and Local Government (DCLG) and their external advisors on developing and evaluating the options for achieving such a transfer.
3. Ministers have concluded that the option offering the best value for money, as well as being the quickest and, in their view, the most straightforward, is to outsource the 70 per cent of audits of principal bodies currently delivered by the Audit Practice from the 2012/13 audit year, by means of a public procurement exercise.
4. On 27 July 2011 the Permanent Secretary wrote to the Commission's Chief Executive asking the Commission to consider undertaking the necessary procurement exercise.
5. At its meeting on 28 July 2011, the Commission Board agreed to undertake the procurement exercise. Ministers announced the decision on the same day.
6. As the Commission's contracts for the provision of limited assurance audits at small local public bodies expire at the completion of the 2011/12 audits, a separate public procurement exercise will also be required covering all small local bodies' audits, including the 25 per cent of those audits delivered by the Audit Practice.
7. The Commission published the [timetable](#) for the procurement process on 15 August. Under this timetable, potential providers have until 7 October to submit their completed pre-qualification questionnaires.

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