

External Audit Update
Report by Director of Change Management and Resources

Summary: This report appends a paper from the Audit Commission which provides the Committee with a progress update on the delivery of its responsibilities and the proposals to externalise the Audit Practice.

Recommendation: That the report be noted.

1 Introduction

- 1.1 Appended to this report is a paper from the Audit Committee. The purpose of this paper is to provide the Committee with a report on progress in delivering the Commission's responsibilities as the Authority's external auditors, and to provide an update on the externalisation of the Audit Practice and future of the public sector audit.
- 1.2 The Audit Manager, David Riglar, will be attending the meeting and will introduce the report and answer any questions.

2 Financial Implications

- 2.1 Members will note and welcome the reduction in the Authority's scale fee for the 2012/13 audit, which has been set at £13,943, a reduction of 40 %, or over £9,000 in cash terms.

Background papers: Nil

Author: Rob Holman
Date of report: 26 June 2012

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Financial Scrutiny and Audit Committee Update

Financial Scrutiny and Audit Committee update

Broads Authority

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 The purpose of this paper is to provide the Financial Scrutiny and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.

2 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.

3 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Neil Harris

District Auditor

10 July 2012

Progress report

Financial statements

4 Early planning meeting held with officers. Audit due to commence July/August 2012.

VFM conclusion

5 Early planning meeting held with officers. Audit due to commence July/August 2012.

Other areas of work

6 Interim audit completed during April 2012. No issues to report at this stage.

Government response to consultation on the future of local public audit

7 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

8 The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to deliver its remaining core functions of audit regulation, contract management and sector support.

9 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

10 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny during 2012.

Update on the externalisation of the Audit Practice

11 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

12 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees.
- The Commission has published the final scales of audit fees for 2012/13 in April 2012. The scale fee for the Broads Authority is £13,943 (£23,238 2011/12).
- The Commission Board has confirmed Neil Harris is appointed as your 'interim' auditor for the first five months of 2012/13.
- The Commission has written to all audited bodies during April 2012 to set out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission has proposed as the appointed auditor the firm that was awarded the contract in each

area, unless there are good reasons that to do so would be inappropriate.

13 The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

14 Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

15 Further details are available on the Commission's website. We will continue to keep you updated on developments.

16 Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Contact details

17 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

18 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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- any third party.



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