

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Audit Committee
Date:	22 February 2012
Title:	Government response to the future of local public audit consultation
Reference:	3702
Report From:	<i>County Treasurer</i>

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1. Executive Summary

1.1. The purpose of this paper is to provide the Audit Committee with an update of the Department for Communities and Local Government (DCLG) response to the consultation for the transfer of the Audit Commission's in-house audit practice to the private sector.

2. Contextual information

2.1. Following the announcement of its decision to abolish the Audit Commission in August 2010, the Government consulted on its proposals for a new local public audit framework from 31 March to 30 June 2011

2.2. Those proposals were designed to deliver the Government's objective for a new local public audit framework that places responsibility in the hands of local bodies, giving them the freedom to appoint their own auditors.

2.3. The County Council were one of the 453 respondents to the consultation. The majority of responses were from local government: parish and town councils, district councils, county and unitary local authorities and their representative bodies. Responses were also received from professional accountancy and regulatory bodies, auditing firms and other audited public bodies and members of the public.

2.4. This paper sets out (Annex 1) the key themes and views which were raised during the consultation and what the Government now proposes for the new arrangements for audit of principal public bodies.

2.5. There are a number of functions that are currently exercised by the Audit Commission under the Audit Commission Act 1998, the future operation of which were not covered in the consultation on the Future of Local Audit. Government's current thinking in relation to these functions is set out below:

- Proposed arrangements for Grant Certification: following the Audit Commission's closure, Government considers that for new grants, the grant paying bodies should agree certification arrangements with grant recipients and auditors
- For existing grant programmes currently certified by the Audit Commission, DCLG are working with grant paying bodies to develop transitional arrangements that provide the assurance required.
- National Fraud Initiative: Government proposes to continue the National Fraud Initiative, and is discussing with partners and the local public sector about how best to achieve this.
- VFM studies regarding the local public sector: The Government considers that there is scope for rationalisation in the number of these value for money studies compared to the number previously undertaken and would like to see a coherent and complementary programme of offerings across all providers

2.6. Proposals for implementation moving forward are summarised below:

- undertake further work with smaller bodies and their representatives on regarding audit arrangements for smaller bodies, to explore options for these bodies before firming up proposals, and setting out a preferred approach in Spring 2012;
- hold further discussions with local authorities, other local public bodies and the audit sector to flesh out the underlying detail of the framework, and how it might be implemented;
- 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; and in advance of introduction of an Audit Bill as soon as Parliamentary time allows.
- 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 their 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. Recommendation(s)

- 3.1. That the Audit Committee note the governments response to the future of local public audit consultation.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes/no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes/no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes/no
Corporate Improvement plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:	

NB: If the 'Other significant links' section below is not applicable, please delete it.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> The future of local public audit - Update	<u>Reference</u> 3290	<u>Date</u> 29 Sep 2011
Direct links to specific legislation or Government Directives		
<u>Title</u> Accounts and Audit (England) Regulations Audit Commission Act 1998	<u>Date</u> April 2011	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals within this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime., however internal audit work is planned to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific changes

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change