

# Bath & North East Somerset Council

MEETING:	<b>Corporate Audit Committee</b>	
MEETING DATE:	<b>28<sup>th</sup> June 2011</b>	AGENDA ITEM NUMBER
TITLE:	<b>Consultation – Future of Local Public Audit</b>	EXECUTIVE FORWARD PLAN REFERENCE: <b>E</b>
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1 – DCLG Consultation Paper</b>		
<b>Appendix 2 – B&amp;NES Response to Consultation</b>		

## **1 THE ISSUE**

- 1.1 On 13 August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission and re-focus audit on helping local people hold their councils and other local public bodies to account for local spending decisions.
- 1.2 In order to do this the Department for Communities and Local Government has set out its proposals for the future of local audit in Appendix 1 and we have an opportunity to respond to this agenda by 30<sup>th</sup> June 2011.

## **2 RECOMMENDATION**

- 2.1 The Corporate Audit Committee is asked to endorse the proposed response outlined in Appendix 2 subject to any further comments.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are a number of direct and indirect financial implications as a result of these proposals which whilst not costed in detail would cost a significant sum and introduce additional bureaucracy.

## **4 THE REPORT**

- 4.1 On 13 August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission, transfer the work of the Audit Commission's in-house practice into the private sector and put in place a new local

audit framework. Local authorities would be free to appoint their own independent external auditors and there would be a new audit framework for local health bodies. A new decentralised audit regime would be established and councils and local health bodies would still be subject to robust auditing.

- 4.2 This consultation paper (Appendix 1) discusses the Government's proposals for how a new local audit framework could work and seeks your views.
- 4.3 For information a number of functions currently undertaken by the Audit Commission are not included within this consultation and it is not clear yet what proposals will be forthcoming for these areas which include –
- a) Grant Certification
  - b) National Fraud Initiative (NFI)
  - c) Reporting on the whole of Government Accounts returns
- 4.4 Senior Management have reviewed all the proposals and have serious and significant concerns about the proposals made which not only introduce additional cost and bureaucracy but also set about changing some of the essential tenets of good corporate governance by altering the makeup and terms of reference of the Audit Committee. It is believed the proposals are trying to tackle a bigger problem than replacing the Audit Commission as commissioner of external audit services.
- 4.5 Key concerns include –
- a) Increased costs and risks in imposing a commissioner role for external audit on the Council for which it currently has no role;
  - b) The imposition of independent but unelected chair, vice-chair and members of the Audit Committee;
  - c) Impact on existing scrutiny arrangements;
  - d) Potential for over-prescriptive and onerous external audit requirements;
  - e) The imposition of the role of commissioner of independent examinations and de facto regulator of smaller public bodies operating within the area of the Council, i.e. Parish & Town Councils.
- 4.6 It could easily be interpreted that the proposals contradict the principles of local choice and even weaken democratic accountability and therefore a robust approach is considered necessary in replying to the consultation. We have grouped our comments under a number of key headings rather than replying in detail to every one of the 50 questions detailed in the proposal which would be impractical.
- 4.7 Appendix 2 outlines these comments and members are invited to discuss these and endorse our proposed response.

## **5 RISK MANAGEMENT**

- 5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are significant risks from the proposals outlined which would undermine sound corporate governance and weaken democratic accountability. They would also raise risks of increased financial pressures and provide real risks of key senior managers being diverted away from the key challenges in delivering local services.

## 6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

## 7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

## 8 ADVICE SOUGHT

8.1 The Council's Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

<b>Contact person</b>	Jeff Wring (01225 47323)
<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format</b>	