

Government's Response to the Future of Local Public Audit

Report of the Treasurer

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1 Purpose of Report

This report provides Members with an update on the Government's response to the consultation on the Future of Local Public Audit, published in January 2012.

2 Recommendations

The Committee is asked to consider and comment, as appropriate, on the update provided in relation to the Government's response to the consultation on the Future of Local Public Audit.

3 Background

The Government, in January 2012, published its final proposals for the reform of external audit following consultation. This report identifies the main messages from those proposals and the next steps.

It is worth noting that the proposals now published by the Government will not affect Shropshire and Wrekin Fire and Rescue Authority until 2015 at the earliest. Following the announced abolition of the Audit Commission, the Government has put in place interim arrangements to appoint external auditors for local authorities through a number of contracts based on geographical areas lasting three to five years, the length of which is still to be decided.

4 The Governments Response and Future Steps

The key principles to be considered for the Committee are as follows:

- The Fire Authority will have a statutory duty to appoint its own external auditors.
- Appointments will be made by an Independent Audit and/or Auditor Appointment Panel (IAAP).
- The IAAP would be independently chaired with a majority of independent members.
- Where a body has an independent audit committee (i.e. with a majority of independent members), this can be used instead of a separate panel.
- The IAAP can be shared across local bodies to facilitate joint procurement exercises.
- If the Fire Authority does not follow the advice of the IAAP in making its appointment, it will be required to publish its reasons for not adopting that advice.
- The Government is proposing legislation to provide for a limited set of functions of the Panel around advising on auditor appointment, independence, removal and resignation and public interest reports.
- The Government has acknowledged that, where there is an existing audit committee, there may be issues about the demarcation of responsibilities between both groups. It is proposing to work with the sector and develop guidance.
- The IAAP will be required to approve the provision of non-audit services by the appointed external audit provider to the Fire Authority.
- The external auditor and the IAAP will be designated persons under the Public Interest Disclosure Act.
- The scope of external audit will continue to include a value-for-money component.
- The Government intends local public bodies to have responsibility for providing evidence of securing value for money and will work with the sector to develop guidance on this.

The Government is proposing to publish a draft bill for pre-legislative scrutiny in spring 2012 and will be holding discussions with public organisations and other relevant bodies to flesh out the underlying details of the framework, and how it might be implemented.

The Government has confirmed with the Chartered Institute of Public Sector Accountants that these discussions will include further examination and guidance around the relationships between the audit committee and the IAAP.

5 Financial Implications

There are no financial implications in terms of receiving this information, but any resulting activities, such as responsibility and or attendance allowances, insurance, administrative and clerical support, may require funding.

6 Legal Comment

The Audit Performance and Management Committee has a key function in ensuring effective corporate governance arrangements are in place in the Fire Authority. The Government, in reviewing its approach to Local Public Audit, will be providing future legislation to be adhered to.

7 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

8 Appendices

There are no appendices attached to this report.

9 Background Papers

Future of Local Public Audit, January 2012, which can be accessed via the following link:

<http://www.communities.gov.uk/publications/localgovernment/localauditgovresponse>