

Audit and Accountability Bill

Purpose of report

To note.

Summary

This report updates the Board on the progress of the Audit and Accountability Bill and the proposal for a sector led body to procure audit in the future.

Recommendation

The Board is asked to note the report.

Action

Officers to progress in the light of members' views.

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Audit and Accountability Bill

Background

1. The Local Audit and Accountability Bill was published on 10 May 2013. The Bill will introduce a new regime for the auditing of local public bodies, extend the council tax referendum provisions introduced in the Localism Act and enshrine the legal status of the local authority publicity code.

Audit procurement

2. With regard to the new Audit Regime, the Bill will abolish the Audit Commission and create a framework where councils will have to establish an independent auditor appointment panel in order to be able to appoint their own auditors. Since publication of the Bill there has been increasing concern within the sector about the potential for audit fees to rise when councils appoint their own auditors and the impracticability of the proposed requirement that councils should only be able to appoint auditors following a recommendation from an independent 'auditor panel' with a majority of independent members and an independent chair.
3. At its meeting on 12 December 2012, therefore, the LGA Executive agreed that the LGA should explore the option of a sector owned approach to procure external audit on behalf of the sector when the current external audit contracts end. Further work and lobbying has been undertaken on this option and during the Lord's stages the Government undertook to bring forward an amendment along these lines.
4. In terms of the practicalities one option would be for the LGA to lead a sector-led approach to procurement, but there would be a number of key issues to be considered and addressed. These were set out in a paper to the LGA Leadership Board on 23 October 2013. A copy of the paper is attached and **Appendix A**. The Leadership Board agreed to pursue the sector led body for the procurement of external audit.
5. The Audit and Accountability Bill has just begun its Commons' stages and officials are in discussion about the wording of a suitable amendment to facilitate a sector led approach to procurement. Royal Assent is expected in the New Year.

Audit Commission legacy issues

6. Following the Government's decision to close the Audit Commission (w.e.f. March 2015) consideration is also being given to whether, and if so how, some of its current activities might be best taken forward in the future – with a particular focus on the Commission's Value for Money profiles.
7. The VFM profiles for local authorities and fire authorities show how a local public body's costs and performance compare with other similar bodies, providing an overview of spending and demonstrating how unit costs and service productivity at one authority

compare with others. Users can also tailor the comparisons and track costs and performance over time to assess the impact of any improvements and efficiencies.

8. In view of the nature of the tools and the use of them made by the sector we are currently exploring with Audit Commission and DCLG officials the synergies with LG Inform.

Audit Commission proposed work programme and scale of fees for 2014/15

9. The Audit Commission has launched a consultation on its work programme and scale of fees for 2014/15. It is under a statutory requirement to consult stakeholders before prescribing the scale of fees.
<http://www.audit-commission.gov.uk/wp-content/uploads/2013/10/Proposed-work-programme-and-scales-of-fees-2014-5-Local-Government.pdf>
10. The Commission does not plan to make any changes to the work programme for 2014/15 and is therefore proposing that scale audit fees are set at the same level as the fees applicable for 2013/14, thus locking in the 40 per cent reduction made to fees from 2012. The final work programme and scales of fees for 2014/15 will be published in March 2014. Responses to the consultation have been invited by Friday 10 January 2014.
11. As part of its current work programme it is expected that the Commission will shortly publish its annual *Auditing the Accounts* and *Protecting the Public Purse* reports. These reports summarise, respectively, the results of auditors' work on audited bodies' financial statements and arrangements to secure value for money, and the results of the Commission's annual survey of fraud in local government.

Next steps

12. These issues (national procurement and the future of the Commission's tools) will be clarified as the Parliamentary process and implementation discussions proceed and the Board will be kept updated in order to enable members to offer guidance and direction.