

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **29 September 2011**

Originating Service Group(s) **DELIVERY / OCE**

Contact Officer(s)/ **B BURGESS** **R MORGAN**
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Title/Subject Matter **THE FUTURE OF LOCAL AUDIT**

RECOMMENDATION

That the report be noted.

1. PURPOSE AND BACKGROUND

- 1.1 Members will be aware of the Government's announcement in August 2010 of their intention to disband the Audit Commission. Following this announcement, consultation on the options for transferring the audit work of the Audit Commission's in-house audit work has been carried out with all parties affected by the changes.
- 1.2 The latest information received from the Audit Commission (3 August 2011) explains the current position with regard to the Government's preferred option, the procurement exercise and appointment of auditors, details of which are shown below.

2. DETAILS

- 2.1 The Department for Communities and Local Government (DCLG) has been considering the options for transferring the audit work of the Audit Commission's in-house audit practice to the private sector and it has now been decided that the best value for money should be achieved by outsourcing the work through a procurement exercise.

2.2 Procurement exercise

- 2.2.1 DCLG has asked the Commission to seek bids for the work currently undertaken by the in-house audit practice. New contracts will be awarded for three or five years, commencing from the audit of the accounts for 2012/13. A Contract Notice will be issued in the Official Journal of the European Union in early September 2011.
- 2.2.2 The Commission will award contracts in spring 2012 to allow new auditor appointments to be in place by 1 September 2012.

2.3 Auditor appointment

- 2.3.1 The Council's current auditor (PwC) is appointed to audit the accounts for the 2011/12 financial year. The procurement does not affect this appointment.
- 2.3.2 As the current auditor is a private firm, the Commission does not expect to have to change the appointment from 2012/13. However, the Commission must wait until the procurement is completed before it can confirm the national picture on auditor appointments.
- 2.3.3 As contracts will not be awarded until spring 2012 it will not be possible to confirm the auditor for 2012/13 until after the start of that financial year. Because an auditor needs to be in place at the start of the financial year, an interim auditor appointment will need to be made to cover the period from 1 April 2012 to 31 August 2012.
- 2.3.4 To minimise disruption, the Commission proposes to extend the current auditor's appointment to deal with any issues that may arise during that period. This 'interim' auditor's role will be limited to keeping a 'watching brief'. Any costs incurred by interim auditors will be paid by the Commission. The Commission will formally consult with the Council on the interim appointment by the end of this year.

2.3.5 Following the procurement exercise the Commission will confirm the auditor appointment, for the audit of the 2012/13 and future years' accounts, with effect from 1 September 2012. The Commission will consult with the Council on this appointment following the award of contracts in spring 2012.

2.3.6 The Commission recognises that these arrangements may raise questions and has tried to anticipate these by setting out the position for Wolverhampton City Council in the table below:

Period	Auditor Appointment	Comments
From 1 April 2011	Current auditor (private firm)	<ul style="list-style-type: none"> • No change for audit of 2011/12 accounts.
1 April 2011 to 31 August 2012	Current auditor (private firm)	<ul style="list-style-type: none"> • Interim appointment for 2012/13: no change - subject to consultation by end of 2011. • Role will be to keep a 'watching brief' only and any costs incurred by auditors will be paid by the Commission.
From 1 September 2012	New auditor appointment (private firm)	<ul style="list-style-type: none"> • New auditor appointment - subject to consultation following award of contracts in spring 2012. This is likely to be your current auditor <u>but</u> this can only be confirmed once the national picture is known following award of contracts in spring 2012. • Auditor will audit the 2012/13 accounts (opinion on the financial statements and the annual VFM conclusion). • Full year's scale fee payable by audited body. • Auditor responsible for audit of future year's accounts.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no direct financial implications arising from this report although there may be additional costs arising and opportunities for achieving savings over the action plan timeframe as opportunities for improving effectiveness are identified.
[GE/31082011/Q]

4. **LEGAL IMPLICATIONS**

4.1 There are no direct legal implications arising from this report.
[MW/26082011/W]

5. **EQUAL OPPORTUNITIES IMPLICATIONS**

5.1 There are no direct equal opportunities implications arising from this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

7.1 Consultation Paper – The Future of Local Audit (CLG - March 2011)