

Dear Mr Nuttall

Future of Local Audit

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. Ministers have now decided the best value for money should be achieved by outsourcing the work through a procurement exercise. Sir Bob Kerslake, Permanent Secretary at DCLG, has written to the chief executives of all local authorities to advise them of the decision.

I am writing to tell you about the timetable for this procurement and what it means for your auditor appointment.

Procurement exercise

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. We aim to issue a Contract Notice in the Official Journal of the European Union in early September 2011.

The Commission will award contracts in spring 2012 to allow new auditor appointments to be in place by 1 September 2012.

Auditor appointment

Your current auditor, from the in-house audit practice, is appointed to audit the accounts for the 2011/12 financial year. The procurement does not affect this appointment.

As we will not be awarding contracts until spring 2012 we will not be able to appoint your 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, we will need to make an interim auditor appointment to cover the period from 1 April 2012 to 31 August 2012.

To minimise disruption, we are proposing to extend your 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. We will write to you again to formally consult you on the interim appointment by the end of this year.

Following the procurement exercise we will be appointing a new auditor, to audit the 2012/13 and future years' accounts, with effect from 1 September 2012. We will consult you on this appointment following the award of contracts in spring 2012.

I recognise these arrangements may raise questions but I have tried to anticipate these by setting out the position in the table below:

Period	Auditor Appointment	Comments
From 1 April 2011	Current auditor (in-house audit practice)	<ul style="list-style-type: none"> • No change for audit of 2011/12 accounts.
1 April 2011 to 31 August 2012	Current auditor (in-house audit practice)	<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 (private firm)	<ul style="list-style-type: none"> • Change of auditor (to a private firm) - subject to consultation 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.

If you want to clarify any of the points in this letter or ask other questions about the content of this letter, please email: auditor-appointments@audit-commission.gov.uk or contact Andrew Davies or Marcine Waterman on 0844 798 2447.

Yours sincerely

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