

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Governance Committee	26 June 2013

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<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
Local Audit and Accountability Bill	Councillor Stephen Robinson	David Whelan	13

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The aim of this report is to advise members of the contents of the Local Audit and Accountability Bill.

This Bill is relevant to the Corporate Priority of South Ribble being an efficient, effective and exceptional council.

## **RECOMMENDATIONS**

That members note the contents of this report.

## **DETAILS AND REASONING**

The Government has recently introduced in Parliament the Local Audit and Accountability Bill. Inevitably this Bill may be subject to change as it goes through the parliamentary process. Nevertheless given the significance of the Bill it is considered worthwhile to advise members at this stage of its major proposals.

The Local Audit and Accountability Bill is designed to deliver the government's commitment to close the Audit Commission and transfer its remaining functions. The Bill will put in place a new local audit and accountability framework for local public bodies including councils. This replaces the centralised arrangements for the audit of local bodies. Councils will be given the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements. There will be safeguards in place to ensure auditor independence and retain high audit standards.

Councils will have to appoint their own auditor at least once every five years. They will need to consult and take into account the advice of an independent auditor panel.

The scope of the audit will remain very similar to the current audit, and auditors will continue to be required to comply with a code of practice and take into account relevant guidance. In the new framework, these will be delivered by the National Audit office.

The Bill will also continue the auditor's role in bringing any appropriate concerns to the attention of the public through public interest reporting. Councils will be required to publish any public interest reports and their responses to them. The Bill protects the rights of taxpayers to inspect the accounts of local bodies and raise any questions and objections with the independent auditor.

The Bill encourages a focus on value for money through enabling the National Audit Office to undertake value for money examinations relating to thematic issues faced by local public bodies.

Clearly it is important that this new framework should be effectively monitored. The Audit Commission currently has a number of responsibilities for regulating local audit which will transfer to other bodies:

- The National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors. They will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors and also the qualifications, experience and criteria that individuals will need to have to sign an audit report. They will also monitor and enforce audit standards. This will all be supervised by the Financial Reporting Council.

Members should note that apart from the audit provisions the Bill also includes some proposed amendments to the rules relating to the right of taxpayers to challenge council tax increases together with some provisions relating to Council run newspapers. Further the Bill allows for the continuation of the National Fraud Initiative. The Bill transfers the powers required to run the National Fraud Initiative to government.

Further updates will be presented to Committee as this bill progresses through Parliament.

Members should note that our current contract with our external auditors Grant Thornton is for a period of five years commencing 1<sup>st</sup> of September 2012. This contract will continue in force. The new arrangements relating to the appointment of auditors will only affect the Council when it comes to appointing auditors after this time.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

<b>FINANCIAL</b>	There are no financial implications arising directly from this report.  The Government consider that the Bill is the final step in a programme of reforms to local audit that will deliver estimated savings to the taxpayer of £1.2 billion over a ten year period.		
<b>LEGAL</b>	The report outlines the principal proposed changes to legislation.		
<b>RISK</b>	There are no risk implications at this juncture. The proposals in the Bill may be subject to change as they go through the parliamentary process.  When the Bill becomes law then a detailed risk assessment will be undertaken.		
<b>THE IMPACT ON EQUALITY</b>	It is not considered that the proposals as set out in the Bill will have any adverse impacts on Equality issues. When the Bill becomes law then a further assessment will be carried out.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>