



Draft Local Audit Bill

Consultation response form

We are seeking your views on the following questions on the Government's draft Local Audit Bill and proposals for the audit of smaller local public bodies.

If possible, we would be grateful if you could please respond by email.

Please email: foia@communities.gsi.gov.uk

Alternatively, we would be happy to receive responses by post. Please write to:

Future of Local Audit
Department for Communities and Local Government
3/J5 Eland House
Bressenden Place
SW1E 5DU

The deadline for submissions is 5pm on 31 August 2012.

(a) About you

(i) Your details

Name:	Martin Henry
Position:	Director of Resources
Name of organisation (if applicable):	Cherwell District Council
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(ii) Are the views expressed on this consultation an official response from the organisation you represent or your own personal views?

Organisational response	<input checked="" type="checkbox"/>
Personal views	<input type="checkbox"/>

(iii) Please tick the *one* box which best describes you or your organisation:

Upper tier local authorities	<input type="checkbox"/>	
Lower tier local authorities	<input checked="" type="checkbox"/>	
Parish and town councils	<input type="checkbox"/>	
Audit and accountancy firms	<input type="checkbox"/>	
Professional auditing and accountancy firms	<input type="checkbox"/>	
Other audited public body (e.g. fire authority, police authority, national park authority, pension authority - please state which)	<input type="checkbox"/>	
Other (please state)	<input type="checkbox"/>	

(iv) Do your views or experiences mainly relate to a particular type of geographical location?

City	<input type="checkbox"/>	
London	<input type="checkbox"/>	
Urban	<input type="checkbox"/>	
Suburban	<input type="checkbox"/>	
Rural	<input checked="" type="checkbox"/>	
Other (please comment)	<input type="checkbox"/>	

(vi) Would you be happy for us to contact you again in relation to this consultation?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

(b) Consultation questions

Draft Local Audit Bill:

Part 1 - Abolition of existing audit regime

Q1. Do you have any comments on the clauses in Part 1 or Schedule 1?

Comments (please state clearly which clause you are referring to):

The only specific comment to make in relation to Part 1 and Schedule 1 of the draft regulations is that the Council feels that the current grant certification arrangements are expensive and unnecessary. Councils should be trusted to spend money on the purposes for which it is given. There is a view that we are already over-regulated and should take the opportunity to move away from this approach.

Part 2 - Basic requirements and concepts

Q2. Do you have any comments on the clauses in Part 2 or Schedule 2?

Comments (please state clearly which clause you are referring to):

The Council makes no specific comments in relation to Part 2 or Schedule 2.

Part 3 - Appointment etc of auditors

Q3. Do you have any comments on the clauses in Part 3?

Comments (please state clearly which clause you are referring to):

The Council welcomes the proposal that Councils should appoint their own auditors.

The Council feels that the legislation and explanatory notes are not clear in relation to the use of the Audit Committee. Section 11 subsection 2b and 3 indicates that pre-existing committees can be used as the auditor panel as long as the independence requirements set out in section 12 are met. The definition of 'independent' includes the requirement that:

12.2.a 'the panel member has not been a member or officer of the Council within the period of five years ending with that time'

This therefore restricts existing committee members to be on the

independent panel unless they are in the minority.

A politically balanced Audit Committee should meet the requirements for an independent panel.

The Council fully acknowledges the need for appropriate safeguards to preserve the independence of audit and ensure public trust in the process is not jeopardised. However, we believe that the new approach to audit must avoid becoming over regulated.

Sufficient flexibility should be retained to allow councils to explore joint procurement opportunities.

Q4. Do the clauses in Part 3 strike the right balance between ensuring independence in the audit process and minimising any burden on local bodies?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

The requirement for independent auditor panels is both excessive and unnecessary and runs contrary to the Government's agenda around devolution and localism. There will still be a regulatory framework including the registration of auditors and monitoring of the quality of audits.

Politically balanced Audit Committees should be sufficient for this purpose.

Q5. Does Clause 11 provide sufficient flexibility to local bodies to set up joint panel arrangements and/ or put in place other arrangements to suit local circumstances?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>

Further comments:

It goes some way to achieving this but there seems to be an inconsistency in relation to the ability to be able to use existing committees in the role but also making sure they are independent and therefore cannot have been a member or officer of the body for five

years.

Q6. Does the draft Bill strike the right balance in terms of prescription and guidance on the role of auditor panels?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

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Q7. Do you have any comments on the proposals set out in paragraphs 26-34 of the consultation document on removal and resignation?

Comments:

Paragraph 28 caused the confusion referred to above stating that existing audit committees can become the independent auditor panel but only if they meet the requirement for the auditor panels one being that they cannot have been an officer or member of the body for at least the last five years.

Part 4 - Eligibility and regulation of auditors

Q8. Do you have any comments on the clauses in Part 4 or Schedules 3 and 4?

Comments (please state clearly which clauses you are referring to):

Generally supportive of the proposals set out in Part 4 which provide for closer alignment with the arrangements for the private sector.

Q9. Do you agree with the proposed definition of connected entities in clause 20?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Q10. Do you have any views on how major audits should be defined in regulations?

Comments:

It is difficult to understand the intention of the Government in this respect and therefore to be able to give a considered view on what a 'major audit' could be defined as is not possible.

Part 5 - Conduct of audit

Q11. Do you have any comments on the clauses in Part 5?

Comments (please state clearly which clauses you are referring to):

The Council agrees that in conjunction with the LGA and professional accountancy bodies that the National Audit Office is best placed to prepare the code of audit practice.

The Council believes that the scope of the audit should be more tightly focussed around the accuracy of the financial statements and issues of probity.

Q12. Do you agree that public interest reports issued on connected entities should be considered by their 'parent' local body?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Part 6 - Data Matching

Q13. Do you have any comments on the clauses in Part 6?

Comments (please state clearly which clauses you are referring to):

The Council acknowledges the vital role and success of the National Fraud Initiative (NFI) to date in tracing fraud and overpayments and sees it as a valuable tool in combatting fraud.

The Council supports the continued use of the NFI.

It will be important that the organisation which assumes responsibility for this work has a broad outlook on fraud and is able to operate across the public and private sector.

Q14. Do you have any views on the new owner(s) of the National Fraud Initiative?

Comments:

As the DWP will be seeing fraud investigators transferred to them under the Single Fraud Investigation Service (SFIS) proposals it make sense for the NFI arrangements to become part of this service.

Part 7 - Inspections, studies and information

Q15. Do you have any comments on the powers provided to the Comptroller and Auditor General to undertake studies and access information within clause 94?

Comments:

It is acknowledged that there is a requirement that the Government can utilise inspection powers through the NAO if they are deemed to be required. We note that these powers are expected to be rarely used and support this approach. We would hope that incidences of the use of these powers will be few and far between and we hope that this arrangement will become unnecessary in the future as confidence in the sector to manage its own performance grows.

There is a danger that initiatives such as this could lead to over regulation of the sector which is strongly opposed.

Q16. Do you think that the National Audit Office should be able to undertake thematic value for money studies regarding all sectors whose bodies are subject to audit under this draft Bill?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>

Further Comments:

See comments below particularly in relation to Clause 94 (1) (3) (b)

Q17. Do you have any comments on the other clauses in Part 7 or Schedule 5?

Comments

There is scope for reducing and rationalising the number of national value for money studies.

The benefit of the previous Value for Money regime is questionable.

The Council feels that the NAO does have a role to play in Value for Money studies relating to Government Departments establishing if the funding provided to Councils represents an economic, efficient and effective use of resources as set out in Clause 94 (1) (3) (a) of the draft bill and that such Value for Money studies should:

- Be limited to a maximum of six per year**
- There must be consultation and agreement with the sector on the theme of the studies in advance**
- The NAO must have regard to studies that the sector itself, including bodies such as the Local Government Association, may commission as part of sector led improvement.**

In addition it is essential that the NAO should not investigate and make judgements about the performance of individual local authorities or indeed classes of local government.

Whilst the NAO will bring a new perspective on this work care needs to be taken to avoid 'mission creep'

The NAO's primary role is to challenge Government departments to account for the way they use public money and this should continue to be their focus.

However, we are very concerned about the proposal contained in Clause 94 (1) (3) (b) for the NAO to have a role in undertaking studies around local authority improvement which could lead to duplication of the sector's own arrangements.

The Council believes that it is simply not appropriate for the NAO to undertake this type of study around improvement in local government. The sector itself is better placed to do this working with organisations

such as the LGA.

Consequently we believe that Clause 94 (1) (3) (b) should be deleted from the bill.

Impact Assessment:

Q18. Does the impact assessment identify the main drivers on fees?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Are there any other drivers on fees?:

They appear to cover the main cost drivers although it is difficult to comment with out seeing all of the detailed plans behind the figures.

Q19. Are the estimates of local bodies' compliance costs realistic?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Difficult to assess with any certainty but based on the information contained within the consultation document they look reasonable.

Q20. Are the estimates of the costs and benefits to businesses realistic?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Difficult to assess with any certainty but based on the information contained within the consultation document they look reasonable.

Proposals for Smaller Bodies

Q21. Do you agree that the threshold below which smaller local public bodies should not be subject to automatic external audit should be £25,000?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No strong view on this but a threshold of £25,000 as opposed to the previous proposal of £1,000 seems to be a sensible move.

Q22. Are the additional transparency requirements we have proposed for those bodies who will not be subject to external audit robust enough to ensure that they will be accountable to the electorate?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Though there is some concern that the smallest bodies may not have their own website (though inclusion on billing authority's website is acknowledged) and may not have the skills set to prepare and publish such information if they do.

Q23. Are these transparency requirements proportionate to the low levels of public money these bodies are responsible for?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

What steps will smaller bodies need to take in complying with these new requirements? :

No strong view but they appear reasonable subject to the comments made at Q22.

Q24. Do you agree that our proposals for the eligibility of auditors of smaller local public bodies will ensure that they have the requisite expertise to undertake limited assurance audits?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Q25. Are our proposals for the regulatory framework for the audit of smaller bodies proportionate?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

They appear to be

Q26. Do these proposals provide a proportionate and sufficiently flexible mechanism for procuring and appointing audit services to smaller local public bodies?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

They appear to and it seems they have ben developed in conjunction with representative bodies which is an approach this Council advocates.

(c) Additional questions

Do you have any other comments you wish to make?

END