

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE**

**6 JUNE 2011**

**1. FUTURE OF LOCAL PUBLIC AUDIT- CONSULTATION**

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT Members note the key issues detailed within the Department for Communities and Local Government (DCLG) Future of Local Public Audit consultation publication.
- 1.2 THAT Members note the draft consultation response and provide any comments or additions for inclusion in this response which will be submitted to Authority for approval at its meeting on 27 June 2011.
- 1.3 THAT Members note the next steps in the process to implement a new local public audit framework.

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted to inform Members of the key issues arising from the DCLG consultation publication titled, Future of Local Public Audit. This will enable Members to contribute to and consider for approval the draft consultation response to be submitted on behalf of West Midlands Fire and Rescue Authority (WMFRA).
- 2.2 This report also provides information on the next steps in the implementation process as DCLG moves towards delivering a new public audit framework.

**3. BACKGROUND**

- 3.1 Members will be aware that in May last year the Government abolished Comprehensive Area Assessment (CAA) which provided the framework for the undertaking of external public sector audit. Following this, in August 2010 the Government announced its intention to disband the Audit Commission, the public body responsible for the regulation, commission and provision of public

sector audit.

3.2 As a consequence of the above, DCLG has redesigned the public audit framework and set out its vision for the future of local public audit in the consultation document attached as Appendix 1 to this report. Essentially, the vision for the future delivery of local public audit is based around four design principles:

- localism and decentralisation – freeing up local bodies to appoint their own external auditors;
- transparency – ensuring that the results of audit work are easily accessible to the public, helping local people to hold public bodies accountable for local spending decisions;
- lower audit fees – achieving a reduction in the overall cost of audit ; and
- high standards of auditing – ensuring that there is effective and transparent regulation of public audit practices which supports the maintenance of high quality audit.

3.3 The consultation publication details a number of proposals for change. Included within this publication is confirmation that DCLG intend to move the whole public audit system into the private sector. To this end the public audit framework will be closely aligned to and designed to reflect the private sector audit model which is primarily driven by legislation contained within the Companies Act 2006.

3.4 The consultation publication covers a broad range of areas and makes a number of proposals for the implementation of a new local public audit framework. Specifically the consultation covers:

- regulation of public audit;
- commissioning local public audit services – including the proposal to reconfigure public body Audit Committees to ensure that the majority of Members are independent non elected members of the public; and
- scope of audit and the work of auditors.

3.5 The intention to lower the overall cost associated with the delivery of public audit is one of the four design principles of the new proposed local public audit framework. However, it is not stated within the document what the costs of audit are likely to be against the four options for delivery proposed, how these options compare in cost terms to the current delivery model and what safeguards it is intended to put in place to enable and maintain the achievement of

this design principle. Therefore, it is not possible to determine at this time what the likely costs of local public audit are likely to be and this has been reflected in the draft consultation response. It is clear that it is the intention of DCLG that the cost of public audit will be, to a certain extent, driven by competitive market forces. To drive down cost public bodies will be required to consider joint commissioning of external local auditors and this is likely to be reflected in legislation.

- 3.6 To assist Members, a summary outlining the key issues and proposals arising from the Future of Local Public Audit consultation publication is attached as Appendix 2 to this report.
- 3.7 The Future of Local Public Audit consultation publication invites all public bodies to respond to 50 consultation questions which cover the range of the public audit framework proposals. A draft response has been prepared on behalf of West Midlands Fire and Rescue Authority (WMFRA) and is attached as Appendix 3 to this report. Members are invited to contribute to this draft response.
- 3.8 In order to give Members the opportunity to fully understand all the issues detailed in the consultation publication and consider and contribute to the draft consultation response the Deputy Chief Fire Officer wrote to all Members on 18 May 2011 and provided Members with the documents contained within the appendices to this report.
- 3.9 Members wishing to make comment upon or requiring amendments to the draft consultation response, attached as Appendix 3, are asked to send their responses, in a format preferable to themselves, to Jim Whittingham in Strategic Planning Improvement and Risk Team (SPIRiT) who can be contacted on telephone number 0121 380 6683 or by email to [jim.whittingham@wmfs.net](mailto:jim.whittingham@wmfs.net) .
- 3.10 The draft consultation response will be submitted to Authority for approval at its meeting on 27 June 2011 following which the final response will be sent, on behalf of WMFRA, to DCLG. The deadline for receipt of consultation responses at DCLG is 30 June 2011.
- 3.11 Following consideration of consultation responses, DCLG will publish draft legislation on the proposals for a new local public audit framework which will be subject to pre-legislative scrutiny by Parliament. As part of this process further consultation will be undertaken. It is intended that the final legislation will be introduced as soon as possible. It is not yet known when this is likely to be but it has been previously stated by DCLG that it is the aim to have the

new framework in place from the 2012/13 financial year. To this end, a work programme and fee has been agreed with the Audit Commission for the audit of the 2011/12 financial year.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The financial implications associated with the options proposed for the delivery of future local public audit are unknown. However, lower audit fees is one of the four design principles of the future framework.
- 6.2 DCLG has confirmed that costs will be considered as part of the impact assessment submitted in support of the Parliamentary scrutiny process.

**BACKGROUND PAPERS**

DCFO Email to Members, DCLG Future of Local Public Audit Consultation Document, 18 May 2011

VIJ RANDENIYA  
CHIEF FIRE OFFICER