

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

27 JUNE 2011

1. FUTURE OF LOCAL PUBLIC AUDIT – CONSULTATION

Report of the Clerk and Monitoring Officer to the Authority.

RECOMMENDED

THAT Members approve the response from West Midlands Fire and Rescue Authority (WMFRA) to Department for Communities and Local Government (DCLG) Future of Local Public Audit consultation publication.

2. PURPOSE OF REPORT

This report is submitted to seek approval from Members for the response from WMFRA to DCLG Future of Local Public Audit consultation publication.

3. BACKGROUND

3.1 Members will be aware that in May 2010 the Government abolished the 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 delivery of public audit in its Future of Local Public Audit consultation publication. Essentially the vision 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 Future of Local Public Audit consultation publication invited all public bodies to respond to 50 consultation questions which covered the full range of proposals for change detailed in the publication.
- 3.4 In order to effectively engage Members in this consultation process the Deputy Chief Fire Officer (DCFO) wrote to all Members on 18 May 2011. Members were invited to consider the DCLG consultation publication and contribute to a WMFRA consultation response to the 50 questions raised within the consultation publication. To assist in this process the following supporting information was supplied:
- DCLG's Future of Local Public Audit consultation publication;
 - a brief of the key issues arising from the publication; and
 - a draft response to the 50 consultation questions detailed within the DCLG consultation publication.
- 3.5 The Future of Local Public Audit consultation publication and draft consultation response was raised with Members at Audit and Performance Management Committee (APMC) on 6 June 2011 with a detailed discussion regarding the content of the consultation response taking place with Members at APMC on 13 June 2011.
- 3.6 As a consequence of consultation, the views of Members and other key stakeholders have been incorporated into the proposed consultation response which is attached as Appendix 1 to this report. The deadline for receipt of responses at DCLG is 30 June 2011.
- 3.7 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. Whilst it is not known when this is likely to be it has been previously stated by DCLG that it is the aim to have the new framework in place in the financial year 2012/13.

In the interim Sir Bob Kerslake outlines (in his letter to Local Authority Chief Executives), two options to transfer the audit work from the Audit Commission to the private sector, ensuring continuity and a value for money service, particularly for the financial year 2012/13 when changes following consultation are expected to take place. Two options are being considered. The first to outsource all audit work to the private sector. The second to create an independent company which can be sold.

The first option of outsourcing is considered to be the simplest and most cost effective and will not delay local authorities in appointing their own auditors. Ministers are considering the two options and will make a decision on how best to transfer the audit work to the private sector.

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**

This consultation process will help to inform the development of legislation required to support the implementation and undertaking of external public audit within a new public audit framework.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The financial implications associated with the options proposed for the delivery of future local public audit are unknown. However, one of the four design principles of the future framework is to enable for lower audit fees.
- 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

Audit and Performance Committee agenda item, Future of Local Public Audit – Consultation, 13 June 2011

Audit and Performance Committee agenda item, Future of Local Public Audit – Consultation, 6 June 2011

Letter from Sir Bob Kerslake on the future of local audit, 2 June 2011

Email Communication from DCFO to all Members titled Department for Communities and Local Government – Future of Local Public Audit Consultation, 18 May 2011

DCLG Future of Local Public Audit Consultation, issued April 2011

NEERAJ SHARMA
CLERK AND MONITORING OFFICER

List of Consultation Questions and Proposed Responses

1. Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

Whilst agreeing with the design principles, it is not yet possible to determine whether the proposals contained within the consultation document will enable for them to be met until more detail is supplied by Department for Communities and Local Government (DCLG), particularly in relation to the lowering of costs.

It is agreed that having an effective audit system is not dependant upon it being part of the public sector and moving this function to the private sector will result in huge savings to the central government purse. However, it is not yet possible to understand how the design principle of lower audit fees will be realised by public audited bodies.

It appears that the level of fees to be incurred by public bodies will be largely determined by market forces alone. It is unknown at this moment in time whether competition itself will be sufficient to lower audit fees. DCLG should consider additional safeguards in order to ensure that this design principle is achievable.

The proposed fragmented localised approach to commissioning of external audit work may not enable for lower audit fees to be realised by public bodies although it is accepted that there is a responsibility on public bodies to drive down costs through joint commissioning of audit services. .

There is no guarantee that competitive market forces will reduce fees below the current Audit Commission levels, which were to a certain extent possible because of the Commission's buying power. The amount of sufficiently skilled local audit practices will influence the competitiveness of the external market and help to determine the level of fee incurred by public audit bodies. Therefore, an indication of the amount of practices willing to undertake this work and an opinion from DCLG as to whether this will create a sufficiently competitive market to drive down and keep fees down would be meaningful. This would help to provide assurance to public bodies that the design principle of lower audit costs is achievable.

The consultation document should be able to provide some indicative information to public bodies in terms of potential costs associated with the proposed scope of audit works. After all, option 1 is the model followed by private companies and option 2 is the current model followed by the public sector. Some 'like for like' indicative comparative information would enable for a fuller, better and more informed decision making process, made on the basis of a value for money judgement (VFM) and will inform public bodies as

to the potential to achieve the core design principle of lowering costs and fees. Currently this is still uncertain, the absence of quality costing information means that options are being asked to be considered (and one will potentially be preferred as a result of this consultation) without full consideration of the potential costs and VFM associated with each option.

Therefore, DCLG should provide indicative financial information to public bodies as this will help us to understand more the likelihood for potential cost reduction associated with each of the scoping options when compared to current Audit Commission fees and will undoubtedly inform the preferred option for the scope of future audit work. This will also help public bodies decide whether the arrangements in place to support lower audit fees are sufficiently robust to enable the design principles of lower audit fees to be achieved or whether any other measures to enable for the achievement of this particular principle are required.

Public audit represents 10% of the total audit market. Assurances need to be put in place and demonstrated that the audit sector has sufficient capacity and skill sets to absorb this not insignificant additional work load. Otherwise there is potential that the design principle of 'localism and decentralisation' will not be achieved. To this end consideration needs to be given as to how it will be determined what the differences between private and public audit are and how assurances will be provided that the additional skill sets required to deliver high standards of public audit are in place.

It is agreed that the proposals concerning regulation, performance monitoring and enforcement should be sufficient to maintain the principle relating to the high standards and conformity to the principles of audit.

2. Do you agree that the audit probation trusts should fall within the Comptroller and Auditor General's regime?

Not applicable.

3. Do you think that the National Audit Office would be best placed to produce the Code of audit practice and the supporting guidance?

Yes, as it already has a role in providing Parliament with levels of assurance on public spending. Equally, however, it could be argued that the Financial Reporting Council (FRC) through the Audit Practices Board has the capability to undertake this role. This, perhaps, would provide an effective demonstration of the strategic intent of more closely aligning the regulation approach of the public sector to that of the private sector. This would take place in a similar way to the single sector approach proposed for the registration of auditors through the private sector driven Companies Act 2006 – it is proposed that the FRC is appointed as the regulator of both the private and public audit frameworks. Therefore, if it has the expertise to regulate the public sector it should have the capability and expertise to produce the code of audit practice that helps support and govern standards. This may provide the opportunity for further efficiencies.

4. Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Yes. However, any costs borne out of putting in place the regulatory structures and process in place to support the monitoring, management and enforcement arrangements to enable for the maintenance of high quality audit standards should not be passed on to the public bodies. These costs, in the first instance, could be offset from the efficiencies gained as a consequence of the abolition of the Audit Commission and therefore be at no cost to the public bodies affected.

5. Who should be responsible for maintaining and reviewing the register of statutory local public auditors?

Responsibility for the overall register of statutory local public auditors should be maintained by the FRC, as the body with overall responsibility for regulation, although responsibility could be devolved to the recognised supervisory bodies as per the approach in the private sector.

6. How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market?

DCLG need to provide assurance that the gap created in public audit through the abolition of the Audit Commission can be expertly filled by private sector audit practices.

Once the appropriate skill sets and qualifications in public audit have been attained and can be evidenced (see 7 below) the selection of local public auditors to undertake public audit should be in effect determined by market forces in a similar way to the selection of audit practices who undertake company audits, i.e. through a commissioning/tender process. This competitive approach will help to ensure that cost/fees remain competitive. Clearly, there will be a requirement for recognised supervisory bodies to ensure maintenance of high quality standards (to ensure that the quality of public audit is not compromised in order to reduce fee/costs) but this will be achieved by the introduction of a robust and credible assurance framework.

Provided that these arrangements are in place there is no reason to make additional provision to enable public audit firms to enter receive public audit work. They should follow exactly the same selection processes as those organisations selected for private sector audit.

7. What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

The criteria will, to a certain extent be determined by the option chosen for the future scope of public audit work. Private practice wishing to undertake public audit work will need to demonstrate that they have both the capacity and necessary skill sets (or the capacity to acquire the necessary skill sets) to

undertake the aspects of public body audit of which they currently have little or no experience – for example, the value for money aspect of this work.

The introduction and publication of clear, prescriptive, skill sets, attributes and competencies required to undertake the specific aspects of public audit supported by (maybe) an appropriate qualification should be developed within the audit sector. This will be helpful to ensuring a consistent and high standard approach to the undertaking of public audit. This work should be undertaken by the proposed supervisory bodies and supported by the outgoing Audit Commission who has experience of the different requirements of the public audit regime.

The opportunity to acquire the appropriate skill sets and qualifications should be extended to all local audit practices who wish to undertake public audit. Such bodies should be responsible for meeting the costs associated with the acquisition of the appropriate skill sets, attributes and qualifications and these should not be passed on to audit public bodies.

Once the appropriate skill sets, competencies and attributes have been acquired and can be evidenced and supported by qualifications the recognised supervisory body should ensure that the local public auditor is placed upon the appropriate local public audit register.

8. What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purposes of local audit regulation? How should these be defined?

No definition of what should constitute a public interest entity is offered. This is because it is not required as it represents a backward step towards centralisation of local a public audit framework and is against the localism philosophy. Such a step is liable to introduce additional and unnecessary costs (through the need to sustain an alternative local public audit model), create waste through duplication and lead to inconsistency in the application of a standard high quality approach to local audit as well as threatening the confidence of the public audit framework through, in effect, implementing a local public audit framework that cannot deliver all local public audits. All public bodies by their very nature of being funded by the tax payer are in the public interest and, as such, one public audit approach should be developed, implemented and be sufficiently sustainable to encompass all public bodies .

However, there should be a requirement for the overall regulator to provide assurance and verification as to the effectiveness of the quality of the recognised supervisory bodies (as opposed to local public auditors). This sample approach to assurance should be undertaken periodically to ensure that supervisory bodies apply the rules to the registration, monitoring, enforcement and sampling of audit standards (which could be supported by a peer assessment process) to ensure the consistent high quality audit results and support sector improvement.

- 9. There is an argument that by their very nature all local public bodies could be categorised as ‘public interest entities.’ Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform, or by their income or expenditure? If the latter, what should the threshold be?**

No see 8 above.

- 10. What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?**

Not applicable see 8 and 9 above.

- 11. Do you think the arrangements we set out are sufficiently flexible to allow councils to cooperate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?**

Yes. It is understood that legislative provision will be made to support the joint commissioning of local public auditors. However, safeguards need to be built to protect public bodies and enable for the fair and proportionate distribution of costs associated with a joint commissioning approach. This will be helpful in achieving the design principle of lower costs and provide protection for single purpose/function authorities (metropolitan fire and rescue authorities for example) who may wish to partner with relatively more complex and multi purpose local authorities but may be fearful of audit costs being split in a disproportionate way.

- 12. Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?**

The criterion for the selection of independent members to audit committee to enable for independence is appropriate. However, some guidance as to when and for how long an independent member retains independence should be determined by DCLG. A similar approach as applied to the rotation of audit firms to ensure independence is maintained should be considered.

- 13. How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?**

It is difficult to envisage how independent members can contribute to the auditor commissioning and appointment process or lead, influence and contribute to audit committee matters within its wider terms of reference without having attained a reasonable level of financial expertise.

However, it is also too simplistic to assume that financial expertise is the only necessary skill. WMFRA audit committee is not purely limited to matters of a financial nature. An understanding of the core strategic objectives of a public body, its action planning processes, risk management arrangements, governance framework and an understanding of the principles of value for

money and internal audit framework are required from all members if they are to be influential and drive organisational improvement and effectively discharge the duties within our current audit committee terms of reference.

Therefore, WMFRA would require its independent members to have a level of expertise in a number of areas rather than just financial expertise.

The nature of audit work and reports can be quite complex, even to experienced members and it will be necessary for all independent members to acquire levels of expertise (or at least an understanding) in all these areas (particularly if they are to lead through taking up the role of Chair/Vice Chair). If this is not the case the potential value and credibility of independent members will be significantly diminished as they will not be sufficiently skilled to influence audit committee based decision making. This in turn could lead to the audit committee becoming ineffective with independent members roles being seen as tokens and merely 'ticking the box'.

14. Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?

Historically, WMFRA has had difficulty sourcing suitable independent members. Previous public advertisements using local media have not generated substantial interest. Due to the requirement of all public bodies to attract suitably skilled independent members as a consequence of the proposed public audit framework, it is likely that it will be even more difficult to source independent members of sufficient calibre.

There is no doubt given the potential depth and breadth of skills and experience to effectively discharge a typical audit committee terms of reference that all members will require a greater level of knowledge and skill than is suggested in the consultation publication, therefore remuneration would encourage interest in these positions and attract candidates of a suitable calibre.

Currently, WMFRA provides a small honorarium plus travel expenses to independent members. However, all public bodies have different arrangements for remunerating independent members. Consideration could be given to better remuneration but this could be seen to compromise the notion of independence and will increase the costs associated with the implementation and delivery of the new public audit framework. It will also impact on the current arrangements for remuneration of elected and co-opted members under the Local Government and Housing Act 1989 whereby the Scheme of Allowances is made by the authority based on the recommendations of an independent remuneration panel. This allows each authority to adopt a system of allowances which suits its own circumstances.

- 15. Do you think that our proposals for audit committees provide the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate and proportionate? If not, how would you ensure independence while also ensuring a decentralised approach?**

It is agreed that the proposals for audit committees provide the safeguards to ensure the independence of the auditor appointment. WMFRA agrees with the principle that public bodies should have an audit committee with the majority of members independent of the local public body and with some elected members to strike a balance between objectivity and in-depth understanding of issues. However, the benefits associated with independent members undertaking the roles of chair and vice chair as opposed to elected members needs to be fully explained.

DCLG will be required to provide public bodies with sufficient notice to ensure the transition from a current audit committee role and structural arrangements to the preferred new arrangements. Such arrangements need to be in place within public bodies prior to the commencement of any local public auditor selection/commissioning process.

- 16. Which option do you consider would strike the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?**

Option 2 as set out would provide a more suitable model to enable for auditor independence and would ensure a wider role for the audit committee in reviewing the financial performance of a public body.

This approach broadly reflects the role and responsibilities of WMFRA own audit committee which have been developed in accordance with CIPFA guidelines.

- 17. Are these appropriate roles and responsibilities for the Audit Committee? To what extent should the role be specified in legislation?**

Option 2 is appropriate for WMFRA. However, a balance between a centralised prescriptive approach and the need to allow for sufficient freedom and flexibility to satisfy the localism agenda and enable public bodies to provide VFM needs to be demonstrated. By being overly prescriptive as to the role of the audit committee, Government may inadvertently cause public bodies to incur costs as they are required to reconfigure existing committee structures, redefine terms of reference of Committees and potentially introduce new committees to meet the new legislative demands.

- 18. Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should produce and maintain this?**

The approach to be taken should be set out in a statutory code of practice. This will support a consistent and transparent approach to the selection of external public auditors as well as providing meaningful information to support

public bodies that have relied on the Audit Commission to commission such services on their behalf.

19. Is this a proportionate approach to public involvement in the selection and work of auditors?

Yes the approach as proposed strikes the right balance.

20. How can this process be adapted for bodies without elected members?

Not applicable for WMFRA. The approach to be developed should be determined by the bodies referred to in the question.

21. Which option do you consider provides a sufficient safeguard to ensure that local public bodies appoint an auditor? How would you ensure that the audited body fulfils its duty?

Option 2 as this option is aligned to the Companies Act which drives the private sector audit framework which is the model on which the new public audit framework is being developed.

22. Should local public bodies be under a duty to inform a body when they have appointed an auditor, or only if they have failed to appoint an auditor by the required date?

There should not be a duty to inform any regulatory or supervisory body of the appointment of an auditor. This level of checking is simply wasteful and will incur unnecessary costs as structures and processes are required to manage and sustain something that will ordinarily happen. However, public bodies should be required to inform either the FRC or the National Audit Office in the event of an auditor not being appointed.

23. If notification of auditor appointment is required, which body should be notified of the auditor appointment/failure to appoint an auditor?

Not required.

24. Should any firm's term of appointment be limited to a maximum of two consecutive five-year periods?

Yes.

25. Do the ethical standards provide sufficient safeguards for the rotation of the engagement lead and the audit team for local public bodies? If not, what additional safeguards are required?

Yes.

- 26. Do the proposals regarding the reappointment of an audit firm strike the right balance between allowing the auditor and audited body to build a relationship based on trust whilst ensuring the correct degree of independence?**

Yes. WMFRA experience of working with professional audit bodies over a number of years has demonstrated that independence can be maintained.

- 27. Do you think this proposed process provides sufficient safeguard to ensure that auditors are not removed, or resign, without serious consideration, and to maintain independence and audit quality? If not, what additional safeguards should be in place?**

Yes. However, whilst it is understood that the issue of re-imbursement or recovery of costs/fees in the event of the resignation or removal of the auditor should be safeguarded within the contract arrangements, are there any additional arrangements which DCLG could consider to safeguard the public purse in terms of the recovery of costs/fees?

Would the affected public body be expected to go through a tendering process to appoint auditors (therefore possibly failing to meet its public audit responsibilities) or would emergency provision be made through the recognised supervisory body thus enabling the affected public body to meet the immediate audit year requirements? Who would be expected to meet any additional unplanned costs that may arise?

Should it be determined that a tendering/commissioning process is required, what additional support would be available to public bodies that were required to go through the commissioning process? Who would be responsible for meeting the additional unplanned costs associated with the requirement to appoint new local public auditors?

What arrangements are in place to mitigate the effect and impact on public bodies who fail to meet their external audit responsibilities through no fault of their own as a result of the resignation or the removal of the auditor?

- 28. Do you think the new framework should put in place similar provision as that in place in the companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?**

Yes, this seems reasonable.

- 29. Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provides sufficient assurance and transparency to the electorate? Are there other options?**

As previously stated (question 1) it is impossible to make a judgement on which option provides the best balance as no indicative potential costs are provided to enable a balanced VFM judgement to be made.

However, it does appear that option 3 is not at all viable and would not provide value for money. This option proposes to increase the audit burden. This is at odds with government thinking. The government has previously reflected and responded to reduce the burden of public audit through the abolition of the comprehensive area assessment framework as a result of which option 2, as shown in the consultation document, emerged. So to now increase the burden as a consequence of implementing option 3 would be at odds with government thinking and represent a backward step towards a much more prescriptive and centralised approach. It is reasonable to assume that this option would increase the cost of external public audit at a time when public services are facing significant shortfalls in funding and will increase the risk of funds being directed away from frontline services to sustain an over engineered external audit programme.

Of the remaining options, Option 4 (in part) appears to be the most viable (however, this is with the caveat that the final preferred option may change upon the basis of a value for money judgement once financial/costs information becomes known) as it appears to offer a level of transparency not apparent in option 2 (the production of an annual report for which assurance is provided by the local public auditor).

The option chosen will ultimately be critical to determining whether the core design principle of 'lower costs of audit' and in particular the 'reduction in overall costs of audit to local bodies' (page 4 of this document) are achievable and sustainable.

The potential workload associated with both options 2 and 4 is to a certain extent unknown. This is in part due to the relative 'newness' of the option 2 approach, the fact that WMFRA because of previous good performance only received a light touch review last year and importantly, the requirement to support new auditors so that they can deliver effective audits is bound to increase the burden in the short term upon public bodies.

30. Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?

Yes. It is important that communities understand and are aware of how their public services are performing, in order to provide assurance that resources are being used properly in priority areas and evidence how objectives have been met and the difference this has made. Typically, this approach is limited in that it is a backward looking approach only. Provision should also be made to enable for public involvement in shaping priorities to support the allocation of resources at the planning phase of a public bodies' performance cycle.

31. Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?

Although WMFRA does produce an annual report which, amongst other things, reflects the outcome of external audit for the given year, more detailed information appertaining to our detailed performance across the range of external audit is contained within the annual audit letter which is produced by

our service provider. This publication is made available on our external website and is therefore available to the vast majority of the public we serve. In the event of the local public auditor producing a similar document there would be no need to produce a replication of our performance against the external audit work programme within our annual report. This would create duplication, be wasteful and add additional unnecessary costs to reporting our performance.

32. Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?

WMFRA would propose that reasonable assurance on the annual report be given by local public auditors, subject to the costs associated with the delivery of this assurance being proportionate and supportive of the design principle to lower audit fees.

33. What guidance would be required for local public bodies to produce an annual report? Who should produce and maintain the guidance?

To ensure consistency, support transparency and the maintenance of a standard, guidance should be produced which provides the minimum level of information that would be expected to be in an annual report to enable for reasonable assurance or otherwise to be determined. It may be useful to set out the requirement for public body audit committees to approve the content of the report. This approach will support localism and transparency agendas.

The overall regulator, supported by the recognised supervisory bodies should produce this guidance. As part of this process all key stakeholders should be given the opportunity to contribute to this guidance.

34. Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?

Yes.

35. Do you agree that auditors appointed to a local public body should also be able to provide additional audit-related or other services to that body?

Yes. However, audited bodies will need to be sure that any additional works undertaken by local auditors will not compromise independence as a consequence of potential conflict of interest.

36. Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not, what safeguards do you think would be appropriate?

It is difficult to forecast, without a full and detailed understanding of the local public audit market, how critical and inhibiting upon competition the safeguards proposed would be. WMFRA would agree with the safeguards proposed within paragraph 4.42 of the consultation document. However,

additional safeguards appertaining to the value of additional work may be a worthwhile additional control measure as per 4.35 second bullet point.

- 37. Do you agree that it would be sensible for the auditor and the audit committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?**

Yes.

- 38. Do you agree that we should modernise the right to object to the accounts? If not, why?**

Yes.

- 39. Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not, what system would you introduce?**

Yes it is.

- 40. Do you think it is sensible for auditors to be brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not, why?**

Yes.

- 41. What will be the impact on (i) the auditor/audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?**

There will be little or no impact of bringing auditors within the remit of this Act. All audit reports in relation to this type of work are publicly available on the intranet as a consequence it is unlikely that any significant fees would be incurred as a result of Freedom of Information requests being made to the local public auditor.

- 42. Which option provides the most proportionate approach for smaller bodies? What could happen to the fees for smaller bodies under our proposals?**

Not applicable.

- 43. Do you think the county or unitary authority should have the role of commissioner for the independent examiners for smaller bodies in their areas? Should this be the section 151 officer, or the full council having regard to advice provided by the audit committee? What additional costs could this mean for county or unitary authorities?**

Not applicable.

- 44. What guidance would be required to enable county/unitary authorities to appoint independent examiners for the smaller bodies in their areas? Outline the annual return requirements for independent examiners? Who should produce and maintain this guidance?**

Not applicable.

- 45. Would option 2 ensure that smaller bodies appoint an external examiner, whilst maintaining independence in the appointment?**

Not applicable.

- 46. Are there other options given the need to ensure independence in the appointment process? How would this work where the smaller body, e.g. a port health authority, straddles more than one county/unitary authority?**

Not applicable.

- 47. Is the four-level approach for the scope of the examination too complex? If so, how would you simplify it? Should the threshold for smaller bodies be not more than £6.5m or £500,000? Are there other ways of dealing with small bodies, e.g. a narrower scope of audit?**

Not applicable.

- 48. Does this provide a proportionate, but appropriate method for addressing issues that give cause for concern in the independent examination of smaller bodies? How would this work where the county council is not the precepting authority?**

Not applicable.

- 49. Is the process set out above the most appropriate way to deal with issues raised in relation to accounts for smaller bodies? If not, what system would you propose?**

Not applicable.

- 50. Does this provide a proportionate but appropriate system of regulation for smaller bodies? If not, how should the audit for this market be regulated?**

Not applicable.