

**REPORT FOR: GOVERNANCE, AUDIT &
RISK MANAGEMENT
COMMITTEE**

Date of Meeting: 29 March 2012

Subject: **INFORMATION REPORT** – Future
Appointment of the External Auditors

Responsible Officer: Tom Whiting, Assistant Chief Executive
Julie Alderson, Interim Corporate Director
Resources

Exempt: No

Enclosures: Appendix 1: Strategy for making auditor
appointments for 2012/13 and future years
Appendix 2: The process for audited bodies to
object to a proposed auditor appointment

Section 1 – Summary

This report sets out the Audit Commission's strategy for making auditor appointments for 2012/13 and future years and the process for audited bodies to object to a proposed auditor appointment.

FOR INFORMATION

Section 2 – Report

- 1.1 In August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission and to allow local public bodies to appoint their own auditors. At the same time, he indicated his intention to transfer the Commission's in-house Audit Practice (the Audit Practice) to the private sector and, in due course, to abolish the residual element of the Commission.
- 1.2 At its meeting in July 2011, the Audit Commission Board agreed to undertake a procurement exercise. The objectives of the procurement exercise was to transfer successfully to the private sector the audit work currently delivered by the Audit Practice, so as to maximise value for money.
- 1.3 The Commission have decided, in consultation with Department for Communities and Local Government (DCLG), to award five-year contracts. The strategy (Appendix 1) sets out the basis on which the process of developing, consulting on and formally making auditor appointments for 2012/13 and future years will be carried out.
- 1.4 The objectives of the appointment process is to ensure that:
 - an 'interim' auditor is appointed in accordance with section 3 of the Audit Commission Act 1998 (the Act) by 1 April 2012;
 - a 'permanent' auditor is appointed to all principal bodies within the Commission's audit regime from 1 September 2012; and
 - there is a smooth and efficient transfer from the outgoing to the incoming auditor.
- 1.5 On the 6th March 2012 the Audit Commission issued an update on the outcome of the procurement exercise to outsource the work of the Commission's in-house audit practice and on the process for making auditor appointments for 2012/13 and subsequent years. This update confirmed that: "Where a body is currently audited by an auditor from the Commission's in-house Audit Practice, we will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate. Where a body is currently audited by a firm, we propose to extend that appointment. In all cases we will be consulting on the appointment of the firm - which in law will be the appointed auditor - not the individual engagement lead."
- 1.6 For Harrow this means that the Audit Commission will be proposing that Deloitte LLP be appointed as both the Council's 'interim' (1 April 2012 – 31st August 2012) and 'permanent' auditor (1st September 2012 – 31st August 2017).
- 1.7 In May 2012 the Director, Audit Policy and Regulation (APR) will formally consult audited bodies on the proposed auditor appointments. The process for audited bodies to object to a proposed auditor appointment is outlined in Appendix 2.

- 1.8 Subject to the Parliamentary timetable, local public bodies will not be able to appoint their own auditors until 2017/18 at the earliest as the Audit Commission has decided, following consultation, to award contracts for five years. Until the Audit Commission Act 1998 is replaced by new primary legislation, the current legal framework under which the Commission is responsible for making auditor appointments will remain in place.

Section 3 – Further Information

- 1.9 Updates will be included on future GARM Committee agendas as appropriate.

Section 4 – Financial Implications

- 1.10 The financial implications will be known and considered during the formal consultation.

Section 5 - Equalities implications

- 1.11 None.

Section 6 – Corporate Priorities

- 1.12 N/A

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 19 March 2012		

Section 7 - Contact Details and Background Papers

Contact: Susan Dixson, Service Manager Internal Audit ext. 2420

Background Papers: Attached as appendices