

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 11

meeting date: 28 MARCH 2012
title: UPDATE ON THE OUTSOURCING OF AUDIT SERVICES
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To inform members of the latest position regarding the procurement of external audit services.

2 BACKGROUND

- 2.1 As members will be aware from previous progress report, on 28 July 2011 the Audit Commission announced that it had agreed to transfer the work of its in-house audit practice to the private sector, by outsourcing through a procurement exercise. This followed the Department for Communities and Local Government (DCLG) announcement in August 2010 of the intention to disband the Audit Commission.
- 2.2 The DCLG asked the Audit Commission to seek bids for the work currently undertaken by the in-house audit practice. The Audit Commission wrote to all audited bodies on 3 August 2011 setting out the implications for auditor appointments and the intention that auditor appointments for 2012/13 would start on 1 September 2012.
- 2.3 The Commission envisage that most Audit Practice staff in each lot area will transfer to the successful bidders under the TUPE regulations on 31 October 2012. They have stated that where an appointed auditor is a District Auditor from the Commission's Audit Practice, they are committed to ensuring so far as possible a smooth transition to a new audit provider.
- 2.4 The procurement process started on 7 September 2011 with the publication of the contract notice in the Official Journal of the European Union.

3 LATEST POSITION

- 3.1 The council have now been informed that the procurement process has been completed and that the contracts have been awarded. The contracts have been awarded to four firms for a period of five years. The full details are attached at Annex 1.
- 3.2 The contract for the North West has been awarded to Grant Thornton and confirmation by the Commission Board is expected on the 22 March, after which the council will be contacted by the Audit Commission to confirm the appointment.
- 3.3 Significant savings have been made as part of the procurement and the Audit Commission's own cost reduction programme, and we have been informed that these will be passed back through significant reductions in scale of audit fees, details of which will be available in April.

- 3.4 Introductory meetings are to be held over the coming months, which will give the council an opportunity to meet the new firm proposed as our auditor, and its senior partners. This will allow the council to hear how the firm plans to manage its new portfolio and its approach to the audits. For the North West, this meeting will be held on 1 May, however, full details of the meeting day are not yet available.
- 3.5 The Audit Commission will complete the audit of the Council's Statement of Accounts for 2011/12, after which, from the 1 November 2012, the council's appointed auditors will be Grant Thornton. Existing staff from the Audit Commission will likely transfer under TUPE arrangements to Grant Thornton.
- 4 CONCLUSION
- 4.1 The Contract for external audit services in the North West has been awarded to Grant Thornton, who will become the council's appointed auditors from 1 November 2012.
- 4.2 The procurement has progressed well and also achieved significant savings which will be passed on to the council by way of a significant reduction in its audit fees.
- 4.3 A meeting will take place between North West councils currently audited by the Audit Commission, and Grant Thornton, on 1 May 2012.

HEAD OF FINANCIAL SERVICES
LAWSON ODDIE

AA4-12/LO/AC
19 March 2012



Local government

Health

Fraud

Audit regime

Audit Practice

Dear Ms Pearson

Update on the outsourcing of audit services

I want to update you 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.

The procurement process

The Commission has announced the award of contracts to four firms for five years, as follows:

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst & Young	Eastern
	South East
Grant Thornton	North West
	West Midlands
	London (South), Surrey & Kent
	South West
KPMG	Humberside & Yorkshire
	East Midlands
	London (North)

Through our bulk purchasing power, the Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years.

We consulted the Department for Communities and Local Government (DCLG) on the length of contracts to be awarded. DCLG in turn consulted key stakeholders in the different sectors and across government. Ministers' preference, taking stakeholders' views into account, was for the Commission to award the contracts for five years, which the Board agreed at its February meeting.

The significant savings we have been able to secure through the procurement, together with the benefits of our own cost reduction programme, will be passed back to local public bodies through significant reductions in scale of audit fees. We have already consulted on draft scales of fees which provide for a ten per cent reduction.

We are now confident that we can go significantly further. We will publish the final scales of audit fees for 2012/13 in April.

The auditor appointment process

We began the process for making auditor appointments for 2012/13 in December 2011, when we wrote to you to consult on 'interim' auditor appointments for the first five months of 2012/13. The deadline for comments on our proposed appointment was 17 February.

I am pleased to say that in all cases our proposed appointment was accepted and the interim appointments will now be confirmed by the Commission Board on 22 March. We will write to you to confirm the appointment as soon as possible after this date.

The next stage in the process is to develop and consult on our proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. We will be writing to all audited bodies on or shortly after 23 April to set out our proposals.

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.

To support the consultation process, we are arranging a series of introductory meetings in each contract area between 30 April and 16 May. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

The schedule of these meetings is:

Contract area	Areas covered	Date
West Midlands	Herefordshire, Shropshire, Staffordshire, Warwickshire, West Midlands and Worcestershire	30 April
North West	Cheshire, Cumbria, Greater Manchester, Lancashire, Merseyside	1 May
South East	Berkshire, Buckinghamshire, East Sussex, Hampshire and Isle of Wight, Oxfordshire and West Sussex	2 May
London South, Surrey and Kent	London boroughs south of River Thames, Kent and Surrey	3 May
London North	London boroughs north of River Thames	9 May
East Midlands	Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire	10 May
South West	Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset and Wiltshire	11 May

Eastern	Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk	14 May
Yorkshire and Humberside	Humberside, South Yorkshire and West Yorkshire	15 May
North East and North Yorkshire	Cleveland, Durham, Northumberland, North Yorkshire and Tyne and Wear	16 May

Our consultation letter will include the arrangements for each meeting.

In January, we published our [Auditor appointments strategy](#), which sets out the process we will follow in making auditor appointments. This provides bodies with two opportunities to object to our proposed appointment. A panel of Commissioners will ultimately consider unresolved objections to the proposed appointments. The panel includes three local government councillors and a member with NHS expertise, and will receive independent advice from a local authority Chief Executive and Finance Director.

If you wish to clarify any of the points in this email or ask other questions about its content, please email auditor-appointments@audit-commission.gov.uk or contact Marcine Waterman or Andrew Davies on 0844 798 2447.

Yours sincerely

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