

REPORT FOR INFORMATION

SUBJECT: EXTERNAL AUDIT ARRANGEMENTS

REPORT OF: THE LEAD OFFICER

PURPOSE OF REPORT

To report on the new external audit arrangements.

RECOMMENDATIONS

It is recommended that the Joint Committee:

[i] Notes the arrangements for external audit for the period 2010/11 to 2011/12.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET

The costs associated with the Limited Assurance Audit are set out in this report.

CONTACT OFFICER

Louise Hutchinson, PATROL, Barlow House, Minshull Street, Manchester,
Tel: 0161 242 5270

1. INTRODUCTION

- 1.1 Under Section 3 of the Audit Commission Act 1998, the Audit Commission appoints external auditors to audit the accounts of all local government authorities. The definition of smaller relevant bodies for whom a limited assurance audit is permitted has been revised to include those whose gross income or expenditure is less than £6.5 million.
- 1.2 The limited assurance external audit approach applies to all 'small bodies' with annual income or expenditure (whichever is the higher) under £6.5 million. The audit report issued by the auditor provides a limited level of assurance to the body in line with the work done and proportionate the relatively small amounts of public money involved.
- 1.3 The approach is cooperative, recognising bodies are responsible for good governance. Members provide positive assurances publicly about their governance arrangements. Those arrangements include maintaining adequate internal controls including internal audit and those for the prevention and detection of fraud and corruption.
- 1.4 Having received a fully completed annual return, the auditor tests the compliance of the annual return. This includes checking the internal consistency of the figures in the accounts, the council's year-end bank reconciliation and any variance from what might have been expected. In a very few cases this may require additional information or event a visit in order to view original documents. Provided that everything is in order with the annual return, the auditor may issue an opinion and audit certificate.
- 1.5 Small bodies with annual income or expenditure over £200,000 but less than £6.5 million are subject to an 'intermediate audit' where the auditor probes further into the annual governance statement.
- 1.6 Where the annual return has been completed fully and accurately and provides the necessary supporting information and any explanations requested, a fixed audit fee will apply.

2. PATROL EXTERNAL AUDIT ARRANGEMENTS 2010/11 and 2011/12

- 2.1 As such the PATROL Adjudication Joint Committee falls within the remit of the limited assurance intermediate audit. The Audit Commission has consulted prior to appointing a new external auditor under this regime as there is an option to retain the full audit, if required.
- 2.2 Under the limited assurance arrangements, the Joint Committee will require an intermediate audit for which the estimated cost is £4,275. This compares with £12,500 for the previous external audit arrangements. The Internal Audit Strategy will focus on supporting these external audit arrangements.

- 2.3 Following consultation with the Joint Committee's Treasurer the option to fall within the Commission's limited assurance intermediate audit approach and the proposal to appoint BDO LLP for a period of two years commencing with the accounts for the year ending 31 March 2011 was accepted on the grounds of proportionality to the scale of the accounts and synergy with the audit process for the Bus Lane Adjudication Service Joint Committee. However in addition to the prescribed annual return, the Joint Committee will also be presented with a balance sheet.
- 2.4 Beyond 2012, as a result of the planned disbanding of the Audit Commission, it is not possible to confirm at this stage the nature of the audit arrangements and appointments.

3. RECOMMENDATIONS

It is recommended that the Joint Committee:

- [i] Notes the arrangements for external audit for the period 2010/11 to 2011/12.