

Local Audit Quality Forum

Inaugural event

18 April 2018

Welcome and today's programme

- Importance of public audit, and the NAO's role and responsibilities in relation to local audit
- Comparing and contrasting different models of public audit
- Key themes of CIPFA's guidance on audit committees and on the annual governance statement
- Audit Committee Chairs' Question Time
- Key issues arising in 2017/18 audit: a view from the profession
- PSAA: Progress to date and plans for the future
- The LAQF: shaping the future

The importance of public audit, and the NAO's role and responsibilities in relation to local audit

Sir Amyas Morse

Comptroller and Auditor General



National Audit Office

Key themes of CIPFA's guidance on audit committees and on the annual governance statement

Rob Whiteman

Chief Executive of CIPFA

Introduction

This briefing looks at the steps an authority can take to develop an effective annual governance statement and the contribution the audit committee can make to that. It is available to download free from the CIPFA website:

www.cipfa.org/services/support-for-audit-committees.

CIPFA_briefing_on_Governance_Statements_Local_Audit_Quality_Forum_2018



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Q&A

Rob Whiteman
Chief Executive of CIPFA

Comparing and contrasting different models of public audit

Caroline Gardner

Auditor General for Scotland



The value of audit to local government

- Assurance on public spending
- Insight into challenges and risks
- Help with innovation and improvement

Public audit in England

Strengths:

- Scale
- Lower costs
- Common approach
- Independence

Risks:

- Complex and fragmented
- Coverage of Act/Code?
- No direct link with national audit agency
- Clarity of national picture

LAQF role

- Protecting and enhancing audit quality
- Opportunities to learn from each other
- Beacon for collaboration in local government

Q&A

Caroline Gardner
Auditor General for Scotland



Audit Committee Chairs' Question Time

Fiona Daley, Police and Crime Commissioner and Chief Constable for Cumbria

Cllr Sarah Nelmes, Three Rivers District Council

Cllr Richard Britton, Wiltshire Council

Cllr Nick Sharman, London Borough of Hackney

Lunch

reconvene at 2pm

Key issues arising in 2017/18 audit: a view from the profession

Gareth Davies

Partner, Mazars LLP



Key issues arising in 2017/18 audit

- General issues
- Key issues for the audit of accounts
- Key issues for the VFM conclusion

General issues

- Earlier timetable for accounts and audit
- First s114 report and auditor advisory notice for many years
- Increasing use of local elector rights in respect of the accounts and audit

Key issues for the audit of accounts

- **Going concern**

- financial sustainability is addressed in the VFM conclusion, but auditors will also be considering the appropriateness of the going concern basis when forming their opinion on the financial statements

- **Assets and liabilities**

- evidence to support valuation of property, plant & equipment
- accounting for commercial investments
- accounting for LOBO loans, especially ‘inverse’ and other more exotic LOBOs

Key issues for the audit of accounts cont'd

- **Minimum Revenue Provision**
 - policy on level of MRP
- **Group accounts**
 - higher incidence as subsidiaries become material
- **Pensions**
 - accounting for pension guarantees

Key issues for the VFM conclusion

- **Financial sustainability**

- robustness (including level of risk) of medium term financial plan
- track record of budgetary control and cost reduction
- monitoring by members

- **Risk management**

- are risk management arrangements keeping pace with changing risks (safeguarding, cyber security, GDPR, commercial ventures, fire safety etc)?

Key issues for the VFM conclusion cont'd

- **Governance of commercial ventures**
 - conflicts of interest
 - indemnity
 - management of commercial risk
- **Devolution and changes in responsibilities**
 - revised governance arrangements
 - adequacy of disclosures in financial statements

Q&A

Gareth Davies

Partner, Mazars LLP



PSAA: Progress to date and plans for the future

Jon Hayes

Chief Officer, PSAA

PSAA progress and plans

- Originally 'transitional body'
- Saved functions from Audit Commission Act
- Time limited lifespan



PSAA progress and plans



Transitional arrangements

- NHS audits up to 2016/17 all complete
- Small body audits up to 2016/17 nearly complete
- Last LG audits (2017/18) about to take place

PSAA progress and plans



Specification as an appointing person

- Achieved in July 2016 by PSAA as a ‘sector-led’ body with LGA support
- Advisory panel established to support our work
- For audits for 2018/19 and onwards

PSAA progress and plans

The appointing person scheme

- 484 bodies opted in (98.5%)
- Contracts let to 6 firms
- Auditor appointments made by 31 Dec
- Fees set (23% reduction) by 31 March



PSAA progress and plans



Looking forward

- Focus on audit quality
- Contract management
- Review of staffing structure
- Stakeholder relationships and feedback
- Quality Forum

PSAA progress and plans

Looking forward

- What should LAQF focus on?
- Other services from PSAA?
- Other ideas?



PSAA progress and plans



Finally

- PSAA is not-for profit
- Surplus funds will be distributed to audited bodies

The Local Audit Quality Forum: shaping the future

Roundtable discussion

Event evaluation

**Please complete the event evaluation form,
and leave on the table or at our reception
desk.**

Thank you for participation

We wish you a safe journey home.