

Audit Commission update on the outsourcing of audit services

I am writing to update you on the progress of the procurement exercise to outsource the work of the Commission's in-house Audit Practice.

The procurement process

We are evaluating the bids received from the [firms invited to tender](#). The Commission Board will make decisions on the award of contracts on 23 February, followed by the ten calendar-day standstill period required by the Public Contracts Regulations. During this period there will be no public communication by the Commission about the procurement.

The Board will award contracts for three or five years. As this decision links to the government's timetable for introducing the new local public audit arrangements, and for disbanding the Commission, we will consult on this with DCLG, our sponsor department.

DCLG is currently running a series of regional engagement events for local bodies (excluding police bodies owing to the structural changes in this sector). The events cover the question of awarding three or five-year contracts, as well as proposals for the new local audit framework. A senior member of the Commission's staff is attending each event to talk about the current procurement, our plans for making auditor appointments and what form the Commission will take until it is disbanded at the end of 2015 or 2017.

We plan to announce the results of the procurement on 6 March. For more [information about the procurement and the timetable we are following](#) please visit our website.

The auditor appointments process

We began the process for making auditor appointments for 2012/13 in December 2011, when we wrote to you to consult on an 'interim' appointment for the first five months of 2012/13.

Following the completion of the procurement, we will begin the process for making 'permanent' auditor appointments from 2012/13. We have now published our [Strategy for making auditor appointments for 2012/13 and future years](#), which is available on our website. We have also published a chart summarising the consultation process.

The strategy sets out the legal background, and the process we propose to follow, for making auditor appointments. The key points are:

- We will consult all local audited bodies on new auditor appointments.
- In all cases we will consult on the appointment of the firm - which in law will be the appointed auditor - not on the individual engagement lead.
- Where a body is currently audited by a firm we expect to extend that appointment.
- Where a body is currently audited by the Audit Practice, we will propose the winning firm in each contract area as the appointed auditor unless there are good reasons that to do so would be inappropriate.
- We are organising a series of regional events to enable audited bodies currently audited by the Audit Practice to meet the winning firm to understand how it proposes to deliver the audits. The events will take place between 30 April and 18 May.
- The consultation process provides bodies with two opportunities to object to our proposed appointment. The strategy sets out examples of what may amount to good reasons for objecting to a proposed appointment.
- A Panel of Commissioners will ultimately consider unresolved objections to proposed appointments. The Panel includes three local government councillors and will receive independent advice from a local authority Chief Executive and Finance Director.

Completion of 2011/12 audit and certification work

The outsourcing of the Audit Practice provides for Commission staff to transfer to the new firms on 31 October. Almost all 2011/12 audits should be completed by then but a few will not be, either because there has been a problem with the accounts or because of an outstanding objection. Also, some grant certification work will not be completed by this date. For example, the housing benefit subsidy claim is not due to be completed until 30 November. The Commission will require the new auditor to complete any outstanding work for 2011/12 or prior years.

We are working with auditors to ensure a smooth transfer. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September, and before 31 October at the latest.

Next steps

We will consult all audited bodies on the proposed permanent auditor appointment in the week commencing 23 April. If you wish to clarify any of the points in this letter or ask other questions about the content, please email auditor-appointments@audit-commission.gov.uk or contact Marcine Waterman or Andrew Davies on 0844 798 2447.

Yours sincerely

Eugene Sullivan
Chief Executive

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