

Question		Response
Q1	Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?	Yes
Q3	Do you think that the National Audit Office would be best placed to produce the Code of audit practice and the supporting guidance?	Yes, the National Audit Office, or its successor body, is a suitable candidate for the role.
Q4	Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?	There are no reasons why such a change could not take place.
Q5	Who should be responsible for maintaining and reviewing the register of statutory local public auditors?	If as proposed the Financial Reporting Council (FRC) takes on the role they must have the resources and expertise, which should not be passed on in higher fees.
Q6	How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market?	This could be a problem. It is difficult to know how to ensure opening entry to the market does not result in inexperienced auditors, who may end up charging more for "learning on the job". If fees are restricted, auditors may fail to deliver an adequate audit. The answer will probably be careful drafting of contracts, possibly requiring the contractor to take out appropriate insurance.
Q7	What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?	Dealing with this could be expensive, certainly until entry to the market stabilizes.

Q8	What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purposes of local audit regulation? How should these be defined?	It is difficult to define any public body (other than those defined as “smaller”,) as other than a public interest entity. This may bring costs however.
Q9	There is an argument that by their very nature all local public bodies could be categorised as ‘public interest entities’. Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform, or by their income or expenditure? If the latter, what should the threshold be?	From the response to Q8 there seems no avoiding or restricting this additional work.
Q10	What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?	The regulator would need to be involved in achieving consistent standards and may be involved in taking a view in difficult cases.
Q11	Do you think the arrangements we set out are sufficiently flexible to allow councils to cooperate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?	Yes but joint procurement will present problems, should they be local or service related? Will they encourage provider consolidation? How will other aspects of Audit committees in different organizations be accommodated? Costs would need to be carefully managed.
Q12	Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?	Yes although this seems quite heavy –handed and there should also be safeguards that members have no links to suppliers.
Q13	How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?	The emphasis on independent members is understood but where there is no cabinet and where the Chair of the Audit Committee is not a member of the governing party, does the Committee really need an independent Chair and Vice/Chair and majority?

Q14	Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?	Yes particularly when everyone is looking for appropriate and willing individuals, unless of course training and/or attractive remuneration is offered.
Q15	Do you think that our proposals for audit committees provide the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate and proportionate? If not, how would you ensure independence while also ensuring a decentralised approach?	Probably but confining the role to appointment, and related issues would minimize further complications and allow the most cost effective way of achieving an independent appointment.
Q16	Which option do you consider would strike the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?	The more focused the legislation is on appointing an independent auditor and the less mandatory prescription on how locally elected bodies manage their affairs would get the best of both worlds.
Q17	Are these appropriate roles and responsibilities for the Audit Committee? To what extent should the role be specified in legislation?	Appointment of, and managing, the contract for independent audit are appropriate and could be enshrined in law.
Q18	Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should produce and maintain this?	Yes. Is this a role for the National Audit Office which is not involved thereafter in detailed management?
Q19	Is this a proportionate approach to public involvement in the selection and work of auditors?	Public involvement could confuse and complicate the process of appointment as well as being a built-in safeguard. This could lead to additional costs.
Q28	Do you think the new framework should put in place similar provision as that in place in the companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?	Yes although this may increase fees.

Q29	Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provide sufficient assurance and transparency to the electorate? Are there other options?	Option 1 would deliver fee savings but the government would need to consider whether auditors are essential to demonstrate value for money to itself and the public.
Q30	Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?	Annual reports are not likely to be an effective way of doing this. There would need to be a data resource of accurate and timely comparative information.
Q31	Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?	No. It would add to costs and local experience of producing annual reports shows little public interest.
Q32	Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?	If an annual report were to be required, the least audit work, (and therefore fee), should be aimed for.
Q33	What guidance would be required for local public bodies to produce an annual report? Who should produce and maintain the guidance?	This should be avoided in order to limit bureaucracy and cost.
Q34	Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?	Replicating the current powers should be achievable.
Q35	Do you agree that auditors appointed to a local public body should also be able to provide additional audit-related or other services to that body?	It is important to encourage a genuinely open market for auditors and therefore they should not be permitted to undertake non-audit work. Such work could then be sourced through the usual procurement processes.
Q36	Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not, what safeguards do you think would be appropriate?	See answer 35 above.

Q37	Do you agree that it would be sensible for the auditor and the audit committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?	Yes but there will be potential for the administrative work currently undertaken by the Audit Commission to cost individual authorities where disclosure issues actually arise.
Q38	Do you agree that we should modernise the right to object to the accounts? If not, why?	Yes
Q39	Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not, what system would you introduce?	Yes
Q40	Do you think it is sensible for auditors to be brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not, why?	Yes but this could limit the attractiveness of the audit to suppliers and may be built into fees.
Q41	What will be the impact on (i) the auditor/audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?	There could be serious problems if both parties did not keep each other fully informed.