

Changes in Public Audit & Risks

How the work of the
Audit Commission is changing



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Presentation to Cover:

- Responsibilities of the Audit Commission
- Impact of economic change on this work
- Changes in the Audit Commission



Work of the Audit Commission

Relevant Areas:

Audit

- Accounts
- Value for Money

Data Matching

Research

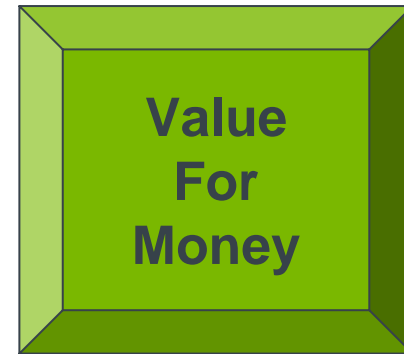
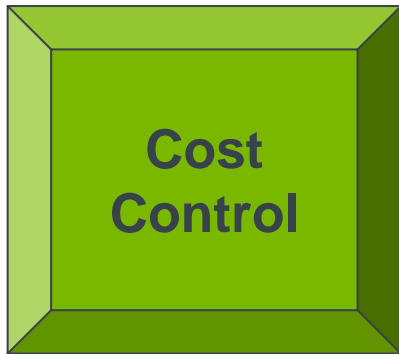
- Social Problems



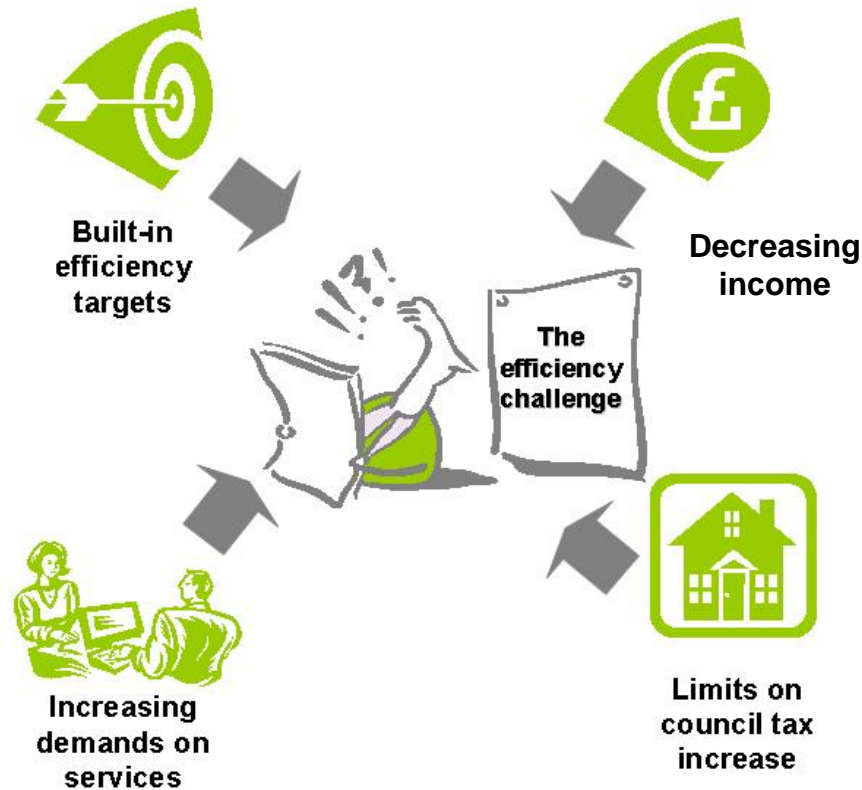
Impact on Local Authorities

- Less money in economy
- Expectation from government and more to follow
- Some risky investments

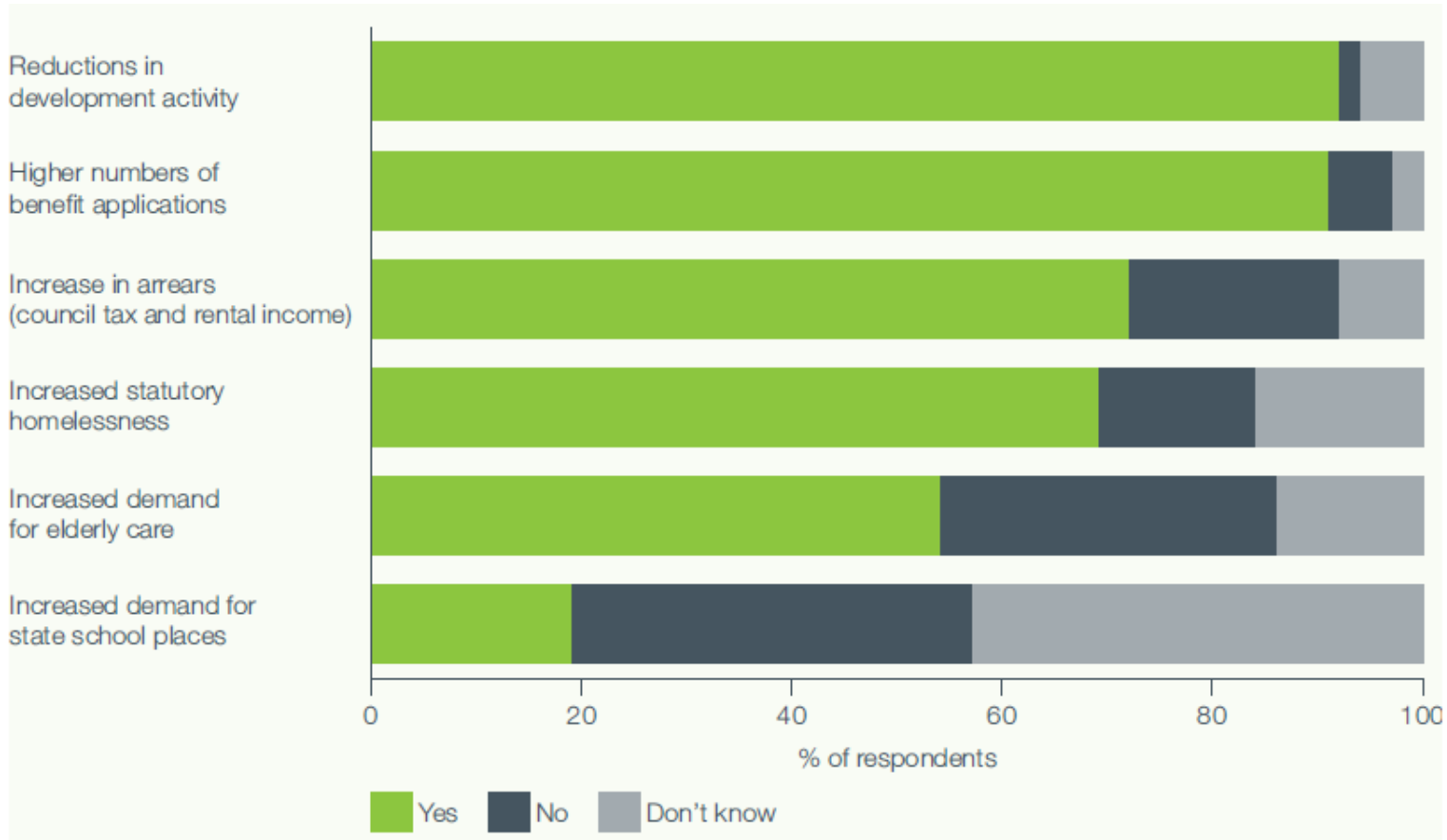
Need to demonstrate:



Pressure to increase efficiency



Demand for services may increase as the recession begins to bite



Impact on Auditors Responsibilities

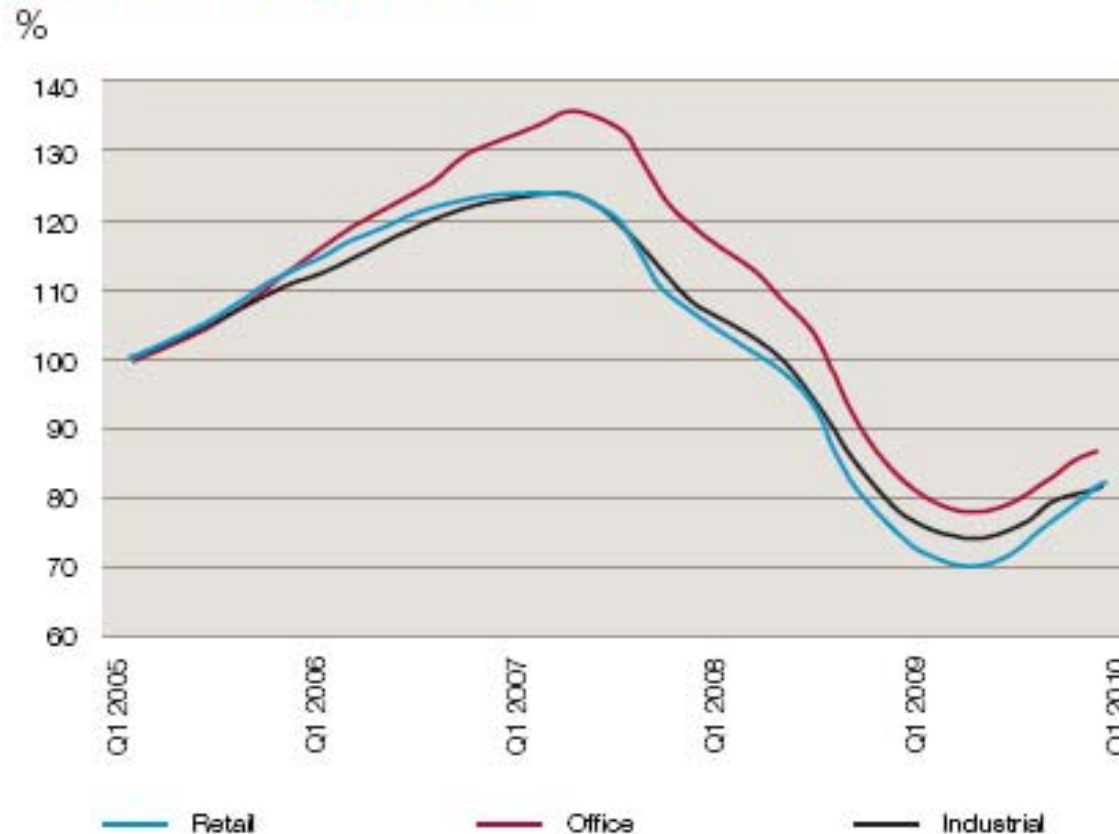
Accounts

- Fixed Asset Impairment
- Bad debts
- Contract liabilities
- Reserves
- Investments



Example - Impairments

National IPD capital values



Example figures

	£m
Opening fixed assets 1/4/2007	700
Annual depreciation	11
Closing balance 31/3/2010	667
Impairments 2008-2010	82
Closing balance 31/3/2010	585

Impact on Auditors Responsibilities

Accounts

- Fixed Asset Impairment
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Example – Reserves and Investments

Icelandic bank investments in 2008/09

- 127 Local Authorities
- £954 million invested
- 30 local authorities with more than 5% of expenditure invested
- Example Council – 26% revenue expenditure, 3 times reserves

Critical reports from Audit Commission on overall issue and individual bodies

Impact on Auditors Responsibilities

Value for Money

- Financial Planning
- Procurement
 - Shared Services
- Asset Management
- Budgetary Control



Example – Shared Services

- Two Councils join support services together
- Joint Committee becomes a separate body
- 3 audits instead of 2
- Efficiencies expected when fully operational and controls in place



Research Topics



Collaborative Procurement



Under Pressure



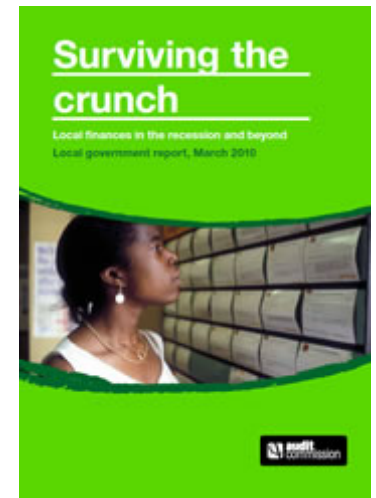
Valuable Lessons

Research Topics

When it comes to the crunch



Risk and Return



Surviving the Crunch

Changes in the Audit Commission

Why?

- Change in emphasis in Councils
- Pressure on fees
- Government changes to audit regime



What is changing?

Value for Money Conclusion

Two public reporting criteria

1. Arrangements for challenging how it achieves value for money
 - Prioritisation
 - Information (transparency and decision making)
 - Productivity
 - Savings
2. Arrangements for financial resilience
 - Financial planning
 - Financial government
 - Financial control



What is changing?

Cost effectiveness and fees

- Pressure to reduce costs and fees
 - Restructuring planned and underway
- Government decision to develop market
 - Audit Commission abolished 2012
 - Work to be subject to competition



Summary

Auditors remain independent but:

- Changes in the economy continue to affect Councils and pressure will continue to influence and change what we audit.
- Direction from the Government in a difficult economy will change how we audit the public sector and who does it.