

Committee(s):	Date(s):
Audit and Risk Management Committee	25 June 2013
Subject: Audit of City Fund	Public
Report of: The Chamberlain	For Information
<p>Summary</p> <p>The purpose of the report is to update Members on the Audit Commission's intention to re-tender the Corporation's City Fund and Pension Fund audit from 2015/16. Deloitte is currently appointed by the Audit Commission to the City Fund and Pension Fund audits.</p> <p>Also attached is Deloitte's annual audit fee letter for the year ending 31 March 2014 for City Fund and the Pension Fund.</p> <p>Recommendation</p> <p>Members are asked to note this report and the annual fee letter from Deloitte for the audit of the City Fund and Pension Fund 2013/14.</p>	

Main Report

Background

1. For local authority functions, the statutory framework for the appointment of auditors is currently governed by the Audit Commission Act 1988 and the Accounts and Audit Regulations 2003. Last year, the Audit Commission successfully outsourced the 70% of its audit work that had previously been carried out by its in-house practice.
2. The outcome of the tendering process enabled the Commission to reduce statutory audit fees for all audited bodies by 40%. In light of the outcomes of that procurement exercise, the Commission has announced it will retender the contracts with audit firms which it first awarded in 2006, 2007 and were extended in 2010. This includes the appointment of Deloitte to the City of London Corporation's City Fund and Pension Fund.
3. The new appointments will come into effect for the audit of accounts for 2015/16 onwards.
4. This announcement has come as a surprise to officers as there had been no prior consultation by the Audit Commission with affected bodies.

Implications

5. Deloitte will remain our auditors on the City Fund and Pension Fund for 2013/14 and 2014/15.
6. The Audit Commission will re-tender the audit for the 2015/16 financial year. The City Corporation is unlikely to have any direct control over the process
7. Members will recall that, when re-tendering the non-local authority funds, care was taken to align the contract period with the end of the Audit Commission framework with the express intent of synchronising the end of the audit contracts; so that, in the future, the City has the option of appointing a single auditor to all its funds.
8. Assuming the new public audit framework commences with the audit for the 2017/18 financial year, if the Commission were to place a new contract as notified for the final two years of the current framework, we potentially face having as many as three different audit firms on City Fund within a four year period.
9. There is an alternative risk for us. If, as a result of the Commission's re-tendering, the public audit framework contract is lengthened beyond the audit of the 2016/17 financial year, then we are in an even more difficult position in aligning our local authority and non-local authority audit contracts. The extent of this risk will depend on whether any amendments are made to the Local Audit and Accountability Bill to allow extended timeframes as it goes through Parliament.
10. The Chamberlain has written to the Audit Commission to request an exemption, and has subsequently spoken directly with the Commission's Chief Executive. However, no exemption has been allowed. The principal reason for this is that there is, at present, no contract in place for the City Corporation – our audit is effectively a piece of work within a larger contract; there is, therefore, no practical way in which the City Corporation can be detached from this. The Audit Commission's response is shown at Appendix 1 and advises that we will be consulted on the proposed auditor appointment for 2015/16.

Audit fee 2013/14

11. Deloitte has submitted their annual audit fee letter for the City Fund and Pension Fund, year ending 31 March 2014. This is shown at Appendix 2. The fee levels are set by the Audit Commission and are unchanged from 2012/13. The indicative fee for grant certification work, also set by the Audit Commission, is £2,200 lower than the prior year.

Conclusion

12. The Audit Commission will be tendering the City Fund and Pension Fund audit. The risk is that a different audit supplier may be appointed to the City Fund for the final two years of the Audit framework. This process may result in a lack of continuity of audit supplier, given our intention to re-tender the audit of all funds for 2017/18.

Appendices

Appendix 1 – Audit Commission’s response to the Chamberlain 22 April 2013

Appendix 2 – Annual audit fee letter for year ending 31 March 2014- the City Fund and Pension Fund

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