

## 1. Audit (Amendment) Bill 2015 – Second Reading approved

Mr Henderson to move:

*That the Audit (Amendment) Bill 2015 be read a second time.*

**The President:** We move to the business on our Order Paper, Hon. Members.

I call on the Hon. Member, Mr Henderson, to take the Second Reading and clauses stage of the Audit (Amendment) Bill 2015.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

As I highlighted at its First Reading, this Bill confirms the Treasury's commitment to promote more proportionate and cost-effective approaches to financial governance.

In summary, the three main aims of this Bill are to provide Treasury with the powers to ease the regulatory burden, when appropriate, for all relevant bodies brought within the scope of the Audit Act 2006, with particular consideration being given in future to the burial authorities; ease the accounting timetable for the burial authorities; and make the proportionate assurance framework currently adopted via subordinate legislation more clearly defined and robust within the primary legislation.

Turning to the first of these aims, the Audit Act 2006 currently requires all public bodies subject to the Act to prepare accounts and be audited in accordance with the Act. The current Act does make provision for the Treasury to be able to exempt certain of those relevant bodies from the required statutory audit; however, the current wording prevents certain bodies from being exempted, in particular those whose requirement to be audited in accordance with the Act has arisen via other legislation.

Following a full public consultation and acknowledging the very significant improvements in financial compliance that have been achieved by the local government sector over recent years, the Treasury used its powers to conditionally exempt bodies and introduce a three-tier risk-based assurance framework for the external inspection of a local government body's accounts, namely: (1) an independent examination by a suitably qualified examiner; (2) an assurance review by a Treasury-appointed qualified auditor; (3) a statutory audit by a Treasury-appointed qualified auditor, as is currently the case. This has subsequently led to over £40,000 of annual cost savings for the sector.

However, it was acknowledged at that time, due to the restriction on Treasury's powers under the Act, this new framework could not be applied to the 17 burial authorities, which, whilst amongst the smallest bodies within the sector, were required to be audited in accordance with the Act due to the Burials Act 1986. Consequently, Treasury agreed to promote the necessary primary legislation to allow a more equitable approach to be adopted.

The second aim of the Bill is also related to the burial authorities and simply changes the required year end for their accounting period from 31st December to 31st March.

Following on from its public consultation Treasury further noted that the annual accounts timetable applicable to the burial authorities seemed unnecessarily onerous. It is the Burials Act 1986 that currently stipulates their year end as 31st December, with a final submission of the audited accounts by 30th April. However, rates collection information, the primary source of income for the burial authorities, is not finalised until shortly after 31st March. This timetable appears to be unrealistic, both for the burial authorities and for the auditors required to audit them. Accordingly, as the officers of the burial authorities are churchwardens, the Treasury also directly consulted with the Lord Bishop on this issue, who subsequently proposed a change in the accounting year end date applicable to them.

I am advised that the transition arrangements for this change will be managed within the Appointed Day Order and it is intended that a 15-month accounting period will be adopted during the transition. However, and again as their year end is set within the Burials Act, this requires a primary legislation amendment to that Act to change it.

The final aim of the Bill, and the part responsible for the majority of the proposed amendments to the Act, is the intention to lift the three-tier framework that has currently been adopted for local government bodies into the primary legislation itself. Treasury considers that making this a core and transparent principle of the Audit Act, as now proposed, would remove any risk of ambiguity in the operation of the new framework, particularly in relation to the ongoing rights and responsibilities of inspectors.

Eaghtyrane, I consider this to be a very positive piece of legislation and beg to move the Audit (Amendment) Bill 2015 be read for the second time.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** Thank you, Madam President. I beg to second and reserve my remarks.

**The President:** The motion is that the Audit (Amendment) Bill 2015 be read a second time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

#### **Audit (Amendment) Bill 2015 – Clauses considered**

**The President:** We turn to clauses.

Would you care to take clauses 1, 2 and 3 together, sir?

**Mr Henderson:** Yes, thank you, Eaghtyrane. Gura mie eu.

Clause 1 is the short title of the Act: the Audit (Amendment) Act 2015.

Clause 2 is the commencement. The Act, other than sections 1 and 2, will come into operation on such day or days as the Treasury may by order appoint. As highlighted previously, it is intended to utilise section 2(2) to introduce the required transitory provisions in relation to the changes to the burial authority accounting period.

Clause 3 puts the expiry clause in: once the Amendment Act has amended the required legislation it will expire.

Eaghtyrane, I beg to move clauses 1, 2 and 3 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** Madam President, I beg to second and reserve my remarks.

**The President:** The motion is that clauses 1, 2 and 3 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 4.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 4 starts part 2 of the Act and introduces the amendments to the 2006 Act.

I beg to move that clause 4 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** I beg to second and reserve my remarks.

**The President:** The motion is that clause 4 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 5.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 5 inserts section A1 at the beginning of the 2006 Act, introducing the three forms of inspection: examination, assurance review or audit. The default requirement is still for accounts to be audited unless Treasury otherwise directs.

It clarifies the reference to 'inspection' and refers to any of these forms of inspection.

Eaghtyrane, I beg to move clause 5 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** Madam President, I beg to second and reserve my remarks.

**The President:** The Hon. Member, Mr Turner.

**Mr Turner:** Thank you, Madam President, if I may just comment, really.

This, of course, is very useful because it is the enabling provision. As we often find out, circumstances change and new scenarios come into the fore and this, of course, gives Treasury the ability to select which of the accounts are going to be subject to the various different types of oversight.

Again, it is just a comment, really, and this is exactly what we have been complaining about for many years, the bureaucracy surrounding things. It is important that we look for value for money for the taxpayer and the ratepayer, reduce and remove unnecessary bureaucracy, but still have the appropriate safeguards.

I think this clause, really, is the nub of it and it obviously has my full support.

**The President:** Do you wish to reply, sir?

**Mr Henderson:** Just to say, Eaghtyrane, I thank the Hon. Member for his support and he is absolutely correct in his observations.

**The President:** The motion is that clause 5 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 6.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 6 amends section 1 of the Act to reflect that although all the bodies to which the 2006 Act... will be subject to some form of inspection that will not necessarily be an audit, i.e. amends 'audit' to 'inspected' etc.

Clause 6(3)(a) expands Treasury's existing power of exemption to all bodies brought into the scope of the Act by section 1. This effectively continues the option to introduce what is effectively a fourth tier to the assurance framework, the ability to exempt relevant bodies or specific sets of accounts from the requirements of the Act.

Eaghtyrane, I beg to move.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** I beg to second and reserve my remarks.

**The President:** The motion is that clause 6 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 7.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 7 makes a similar consequential amendment to section 2, changing reference from 'audited' to 'inspected'.

Eaghtyrane, I beg to move clause 7 stands part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 7 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 8.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 8 amends section 3, which deals with the appointment of auditors.

In particular, this clause restructures the Act by removing the restrictions on persons eligible to be appointed as auditors as these restrictions are now required to be applied to all inspectors. Accordingly, these restrictions have been relocated from section 3 to the new section 4B.

Eaghtyrane, I beg to move clause 8 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 8 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 9.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 9 introduces sections 3A and 3B, which set out the required qualifications for assurance reviewers and examiners in relation to accounts.

Assurance reviewers are required to be qualified auditors appointed by the Treasury, similar to existing provisions in relation to auditors.

Examiners are appointed by the body and approved by Treasury. They must hold the same qualifications as those required by independent examiners for charity accounts.

These sections, together with section 3, are subject to the new section 4B which, as highlighted above, is the relocation of the existing independence requirements, but for all inspectors.

Eaghtyrane, I beg to move clause 9 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 9 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 10.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 10 inserts section 4A, which describes the general statutory duties of both assurance reviewers and examiners. These duties are the same for both types of inspection; however, the new section A1, as we have just heard, also provides for the Treasury to make further directions as to the detail of each of those requirements.

The clause also inserts section 4B, which, as highlighted earlier, is the relocation of the existing section 3 and relates to the disqualifications for acting as an inspector of any sort. There is also a minor amendment to clarify the applicability in relation to relevant subsidiary companies.

Eaghtyrane, I beg to move clause 10 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The Hon. Member, Mr Turner.

**Mr Turner:** Can I just ask, on a technical point, where it says ‘a member of the Isle of Man Civil Service’? We of course are in the process of transferring from the Civil Service to the Public Service. I just wonder how this will be... as the Public Services Act is in and has made its amendments to other Acts that are on the statute, this one is obviously going to go through at some point – or presumably will go through. What will be the instrument, then, that is going to amend this to bring in the members of the new Public Service – because obviously that will be taking over at some appropriate point in the quite near future, I would imagine.

**The President:** The Hon. Member to reply.

**Mr Henderson:** Eaghtyrane, if I might, could I ask for the microphone to be placed for Mr Hind, just maybe to give a little technical detail on the query from the Hon. Member?

**The President:** If Mr Hind has the information.

**Mr Hind:** No, I do not. *(Laughter)*

**The President:** Right, there is no point in having the microphone.  
I do not know whether the learned Acting Attorney has any information?

**The Acting Attorney General:** Madam President, I am sorry I cannot answer that, but I can certainly take it away and come back at the next sitting if that would help?

**The President:** Thank you, I think that might be –

**Mr Wild:** Sorry, just as a comment, Madam President, could we not just add ‘or the Isle of Man Public Service’?

**The President:** I think it is not wise to take amendments on the hoof. **(Mr Wild: No, no – )** We have an opportunity at the Third Reading if, with due consideration, it is felt that other legislation somewhere does not make provision to change. We honestly do not know whether there is a provision in any other Bill that will change this in due course.

I would ask the mover, in conjunction with the learned Acting Attorney, to consider whether any amendment at Third Reading might be helpful.

**Mr Henderson:** I can certainly make that undertaking, Eaghtyrane.

**The President:** The motion, Hon. Members, is that clause 10 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 11.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 11 generalises references to 'audit' and 'auditors' in section 5, replacing them with references to 'inspection' and 'inspectors'.

Eaghtyrane, I beg to move clause 11 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 11 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 12.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 12 again generalises references in section 6 to replace them with the more generic terms, 'inspection' and 'inspectors'.

Eaghtyrane, I beg to move clause 12 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 12 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 13.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 13 again generalises references, this time in section 7.

Eaghtyrane, I beg to move clause 13 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 13 stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 14.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 14 again generalises references, this time in section 8.

This clause also clarifies that the special report obligations will also apply to assurance reviewers and examiners. However, matters will only be made public following a full audit. Where concerns have been raised by assurance reviewers and examiners the provision permits the relevant authority to direct that a full audit be then undertaken.

Eaghtyrane, I beg to move clause 14 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 14 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 15.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 15 makes similar reference amendments to the majority of section 9. Similarly section 9(5)(c), which concerns requirements to give public notice of the issue of a warning notice, will continue to be restricted to accounts which have been subject to audit.

Eaghtyrane, I beg to move clause 15 stand part of the Bill.

**The President:** The Hon. Member, Mr Coleman.

**Mr Coleman:** I beg to second.

**The President:** The motion is that clause 15 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 16.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 16 amends section 11 so as to ensure the continuation of the reserve power to order an extraordinary audit to any accounts which are liable to any sort of inspection under the Act.

Eaghtyrane, I beg to move clause 16 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 16 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 17.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 17 amends section 12 to extend the Treasury's existing power to make regulations under the Act to cover inspections and not merely audits.

Eaghtyrane, I beg to move clause 17 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 17 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 18.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 18 amends section 13 to extend the Treasury's existing power to give directions to all classes of accounts to be inspected.

Eaghtyrane, I beg to move clause 18 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 18 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 19.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 19 makes consequential amendments to section 14, dealing with fees to be charged under the 2006 Act. The Treasury will itself fix the fees for an audit or an assurance review, but the body whose accounts are being examined will agree the fee with the examiner.

The clause also allows for the required changes to this section on the appointment of a Tynwald Auditor General and at that time would transfer Treasury's responsibilities under this section to the Tynwald Auditor General.

Eaghtyrane, I beg to move clause 19 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The Hon. Member, Mr Corkish.

**Mr Corkish:** Thank you, Madam President.

I have an amendment to clause 19, which refers to page 12, line 33 to omit 'as substituted by subsection (3)'.  
This is what can be termed as a 'rogue text' and, after dialogue with the Attorney General's office, the line should be deleted.

Madam President, I beg to move the amendment in my name.

Madam President, I beg to move the amendment in my name.

*Amendment to clause 19*

*Page 12, line 33 omit 'as substituted by subsection (3)'*

**Mr Wild:** I beg to second and reserve my remarks.

**The President:** Hon. Members, the motion before Council is that clause 19 do stand part of the Bill. To that we have an amendment in the name of Mr Corkish.

I will put to you the amendment first. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

I now put to you the clause, as amended. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 20.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 20 generalises references to 'audit' and 'auditor' in section 15, replacing them with references to 'inspection' and 'inspectors'.

Eaghtyrane, I beg to move clause 20 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 20 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 21.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 21 again generalises references to 'audit' and 'auditor', this time in section 16, replacing them with references to 'inspection' and 'inspectors'.

Eaghtyrane, I beg to move clause 21 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 21 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 22.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 22 again introduces consequential amendments, this time to section 18 relating to the broadening of references and application of the Act to inspection and inspectors.

I beg to move clause 22 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 22 stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 23.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 23 provides for directions by the Treasury under section 13 to be laid before Tynwald after they are made.

Eaghtyrane, I beg to move clause 23 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 23 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 24.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 24 amends section 21 to insert new definitions which flow from the introduction of the concept of inspection.

Eaghtyrane, I beg to move clause 24 stand part of the Bill

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 24 stands part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 25, introducing the schedule.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 25 commences the closing section of the Bill and makes consequential adjustments to other legislation to amend references from 'audit' to 'inspection'.

In addition to the consequential amendments in relation to references, paragraph 8 of the referenced schedule introduces the required changes to the Burials Act 1986 to change the burial authorities' year end from 31st December to 31st March.

Eaghtyrane, I beg to move clause 25 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The Hon. Member, Mr Corkish.

**Mr Corkish:** Thank you, Madam President.

I have an amendment to the schedule, referring to page 17, line 2. This can be termed a tidying up measure seeking to clarify the term 'Corporation' and to remove any ambiguity as to its meaning, meaning that the Corporation is the Mayor, Aldermen and Burgesses of the Borough of Douglas.

Madam President, I beg to move the amendment standing in my name.

*Amendment to clause 25*

*On page 17, after line 2 insert the following definition in paragraph 8(4) of the Schedule — ‘the Corporation’ means the Mayor, Aldermen and Burgesses of the Borough of Douglas;*

**Mr Wild:** Madam President, I beg to second.

**The President:** Hon. Members, the motion is that clause 25 and the schedule do stand part of the Bill. To that we have an amendment in the name of the Hon. Member, Mr Corkish.

I put to you the amendment. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

I now put to you the clause and the schedule as amended. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Clause 26.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Clause 26 repeals the now spent elements of section 11(2) of the Casino Act 1987.

Eaghtyrane, I beg to move clause 26 stand part of the Bill.

**Mr Coleman:** I beg to second, Madam President.

**The President:** The motion is that clause 26 do stand part of the Bill. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

That concludes consideration of clauses, Hon. Members.