

**TRANSPORT FOR LONDON**

**AUDIT COMMITTEE**

**SUBJECT:       TERMINATION OF THE AUDIT COMMISSION**

**DATE:           28 SEPTEMBER 2010**

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**1       PURPOSE AND DECISION REQUIRED**

- 1.1       On 13 August 2010, the Communities and Local Government Secretary Eric Pickles announced the disbanding of the Audit Commission as from 1 April 2012. However, the Audit Commission continues to function as a legal body until that date. How it will function and the demands it will make of TfL in the meantime, are less clear. This paper sets out the situation as it is currently understood.
- 1.2       The Audit Committee is requested to note this report.

**2       BACKGROUND**

- 2.1       On 27 May 2010, the Audit Commission announced that they would no longer be conducting an Organisational Assessment. This means that the Commission and KPMG will not be doing any further work on the Managing Performance and Use of Resources exercises in respect of the 2009/10 financial year.
- 2.2       Now the Audit Commission itself is being dismantled. Ministers state that this is to ‘refocus audit on helping local people hold councils and local public bodies to account for local spending decisions’. They believe that the work of the Commission ‘has increasingly become less focused on accountability to citizens and more on reporting upwards to Government’. The changes should save the taxpayer £50m a year.
- 2.3       This means the Audit Commission’s audit functions will be moved to the private sector, leaving councils free to appoint their own independent external auditors from a competitive and open market among audit firms.
- 2.4       Audit quality, regulated within a statutory framework, will be overseen by the National Audit Office (NAO). Through its oversight role, the NAO will be able to report to Parliament on the quality of audit across local government.
- 2.5       This new decentralised system is to be in place from the beginning of the 2012/13 financial year.

### **3 VALUE FOR MONEY CONCLUSION**

- 3.1 At present, TfL is required to incorporate a Value for Money conclusion from its external auditors in its Statement of Accounts in order to comply with The Code of Audit Practice.
- 3.2 The Value for Money conclusion has to date been based on the work done for the Use of Resources exercise. Unless the legislation is changed, neither the Government or the Audit Commission can authorise the discontinuation of the Value for Money conclusion and the Audit Commission must ensure that work supporting a Value for Money conclusion is undertaken by TfL.
- 3.3 Given that the Use of Resources exercise has been discontinued, it is unclear what will be done to this end in the two years before the entire system is changed at the beginning of 2012/13. No guidance has as yet been issued.

### **4 KPMG**

- 4.1 KPMG has a contract with the Audit Commission to carry out audit work at TfL until 31 March 2012. It will therefore carry out the work it is instructed to do by the Commission – the Annual Accounts, incorporating the Value for Money Conclusion - for both the financial years 2010/11 and 2011/12.

### **5 RECOMMENDATION**

- 5.1 The Audit Committee is asked to NOTE this paper.

### **6 CONTACT**

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