

Shropshire Council Audit Committee 16 June 2011

Briefing note on the potential transfer arrangements of Audit Commission work into the private sector

Local councils have been updated on Government plans to secure a value for money transfer of the Audit Commission's in-house practice into the private sector.

In August last year the Secretary of State for Communities and Local Government (CLG) announced plans to disband the Audit Commission. Since then Ministers have been examining the most cost effective options for disbanding the Audit Commission, transferring audit into the private sector and allowing local authorities to appoint their own auditors. In a letter from the Department's Permanent Secretary today councils were told that Ministers' initial view is that the best value for money option is to outsource all the audits currently undertaken by the in-house practice to the private sector.

In order to ensure that progress can be maintained on the options, Ministers have asked the Audit Commission to begin substantive preparatory work for outsourcing the 2012/13 audits. The Commission has been asked to design a procurement process that allows a range of firms to bid, including the possibility of an in house bid which could form the basis of a new employee owned mutual.

If Ministers do choose to opt for outsourcing all the 2012/13 audits, this would mean the Audit Commission would be radically reduced by the end of 2012, leaving a small residuary body overseeing the contracts until local public bodies are in a position to appoint their own auditors. CLG have indicated that they will ensure that local government is fully engaged in the process of outsourcing and the appointment of auditors.

As the Audit Commission's Audit Practice we welcome the emerging clarity on the future for the Practice. It seems likely that the work of the Audit Practice from the 2012/13 audits will be packaged into geographic areas and transferred to the successful bidder for each area. The staff of the Audit Practice intends to submit a bid for every area, probably as an employee-owned business with a joint venture partner. Audit staff would transfer under TUPE to the successful bidder. In that case it would be possible that audited bodies would retain the same audit team, albeit under new ownership.

Our focus remains on maintaining the high quality service you expect from us during this process and we will continue to provide a responsive audit service for as long as we are your auditors.