

TRANSPORT FOR LONDON

AUDIT COMMITTEE

**SUBJECT: AUDIT COMMISSION UPDATE – OUTSOURCING THE WORK OF
 AUDIT PRACTICE**

DATE: 28 SEPTEMBER 2011

1 PURPOSE

1.1 The purpose of this paper is to inform the Committee of the latest position on local government audit, following the Department for Communities and Local Government (DCLG) consultation on the Future of Local Public audit which took place earlier this year.

2 BACKGROUND

2.1 In March 2011, DCLG issued a consultation on the future of public audit. Responses were required by 30 June 2011, and TfL's response was discussed at the Audit Committee at its meeting on 8 June 2011.

2.2 DCLG is currently in the process of analysing the responses received, and expects to refine proposals further. Primary legislation will be brought forward in due course.

3 OUTSOURCING OF AUDIT COMMISSION AUDIT PRACTICE

3.1 DCLG announced at the end of July that had instructed the Audit Commission to begin preparatory work for outsourcing all local audits from 2012/13. The initial suggestion was that the outsourced contracts would be for three or five years from 2012/13, following which local authorities would be free to appoint their own auditors, provided the appropriate primary legislation was in place. The Commission is asking for three and five year bids and a decision will be made depending on value for money offered. It is acknowledged that a longer contract might offer better value, but would further delay local authorities from having the ability to appoint auditors directly.

3.2 On 5 September 2011 the Audit Commission formally launched the process for outsourcing its Audit Practice. Pre-qualification questionnaires are currently being issued and must be returned by potential bidders by 7 October. Formal tender submissions will then be required by mid December, with contract awards in February 2012. Auditor appointments for 2012/13 are expected in September 2012.

4 IMPACT ON TFL

4.1 Only limited information is available at present, but it is clear that the outsourcing proposal only affects those audits currently delivered by the Audit Commission.

- 4.2 The Audit Commission appointed KPMG as external auditor to TfL in December 2007 for a period of “up to five years starting with the audit of the accounts for 2008/09”. This would require a new appointment to be made for 2013/14, although the Commission is able to extend the current appointment for a further two years.
- 4.3 At present, neither KPMG nor TfL has received any indication from the Audit Commission that the current appointment may be terminated prior to 2012/13. However the arrangements after that time are unknown.
- 4.4 TfL and KPMG will continue to monitor the position closely. TfL is to become responsible for appointment of its own auditors for 2013/14 onwards, a procurement exercise would need to commence by mid 2012.

5 RECOMMENDATION

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

6 CONTACT

- 6.1 Contact: Stephen Critchley, Chief Finance Officer
Number: 020 7126 4871
Email: StephenCritchley@tfl.gov.uk