



## Japan Local Government Centre, London

### Monthly Report for September 2010 (England) – Audit Commission

In August the Department for Communities and Local Government announced that it will abolish the Audit Commission. The department claims the move will strengthen local autonomy and save the taxpayer millions. The decision had been leaked to the BBC by the Audit Commission's staff ahead of the official announcement, following an email to staff from senior management to inform them that their employer was being disbanded by government. While many were surprised by the announcement, Conservative leader and now Prime Minister David Cameron actually hinted at the move at his 2007 party conference: "I think it's time with local government to tear up the rules and all the ring-fencing and the auditing."

As a result of the move, the commission's activities will wind down until its legislative abolition, intended for the start of the 2012/2013 financial year. The commission's remit had already been curtailed following the May general election with the department's announcement that work on the Comprehensive Area Assessment was to end immediately. It follows the government's abolition of the Standards Board on similar grounds of promoting local autonomy and cost savings.

The commission's in-house audit practice, the fifth largest in the country, will be considered for transfer into the private sector, possibly as a John Lewis-style mutual partnership. Local authorities will also be free to select their own external auditors from the open market. The District Audit Service will remain in order to report on any legal breaches by local authorities to central government, while the Local Government Ombudsman will receive new powers to investigate and enforce complaints against local authority maladministration. In September the Secretary of State for Communities and Local Government Eric Pickles told the House of Commons that the commission's role in researching local authorities' value for money to the public will be taken over by the National Audit Office. MPs questioned the legality of this as the National Audit Office is directly accountable to Parliament rather than government.

Ministers defended the decision on the grounds of saving money and accused the commission of straying from its original purpose and undermining local autonomy. One minister cited examples of profligate spending by the commission such as supposed staff trips to racecourses but this was later revealed to be for conference venue hire. Labour's Shadow Secretary of State John Denham accused the government of "recreating the cosy, incestuous relationship between local councils and auditors that also failed Enron and more recently the banking system".

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Notable incidents in the commission's history include its role in enforcing the government's stance during the 1985 municipal rebellion by Lambeth and Liverpool councils when they both set illegal rate increases (following the 1984 Rates Act which restricted councils' tax raising powers) and its investigation and subsequent prosecution of Westminster City Council leader Dame Shirley Porter for her role in the 1989 'homes for votes' scandal. More recently the commission has become better known as the 'Best Value inspectorate' for its role in supervising the Best Value regime and then that of the Comprehensive Performance Assessment. It also hit the headlines on several occasions when asked by central government to directly intervene in the running of several failing councils such as Hackney, Hull and Walsall.

The Audit Commission was established in 1983 (the District Audit Service in 1844) under the Local Government Finance Act 1982, initially to provide auditors to each local authority in England and Wales. Its function was extended to the National Health Service under the The National Health Service and Community Care Act 1990 and further consolidated under the Audit Commission Act 1998. In 2004 it gained responsibility for auditing fire and rescue authorities. It has administered the UK-wide National Fraud Initiative since 1996. The commission's 25 year history was covered in significant detail by Duncan Campbell-Smith's Penguin book *Follow the Money: A History of the Audit Commission: The Audit Commission, Public Money and the Management of Public Services (1983 - 2008)*.

Its abolition does not affect Scotland, Wales or Northern Ireland as these are covered by separate arrangements under the devolved administrations. In 2005 the Welsh arm of the commission was given to the new Wales Audit Office, appointed by the Welsh Assembly, while in Scotland the Accounts Commission (part of Audit Scotland) performs a similar role under the supervision of the Scottish Parliament, as does the Northern Ireland Audit Office under the Northern Ireland Assembly.

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