



The Rt Hon Eric Pickles MP
Secretary of State for Communities and Local Government

Department for Communities and Local Government

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Bressenden Place
London SW1E 5DU

Clive Betts MP
Communities and Local Government
Select Committee
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www.communities.gov.uk

I am writing to let you know that I will be announcing plans to disband the Audit Commission, and refocus the audit of councils and other local bodies on helping local people hold those bodies to account for local spending decisions – the very essence of localism.

My aim is to replace the current centralised audit systems, managed by the Audit Commission, with new decentralised audit, which will provide genuine support for local democratic accountability. This will also cut bureaucracy and costs, saving the tax payer some £50m per year, and ensure there continues to be robust local audit.

Specifically, we plan to stop the Commission’s responsibilities for overseeing and delivering local audits; its research activities will end; its audit functions will be moved to the private sector; councils will be free to appoint their own independent external auditors from a more competitive and open market; and there will be new audit arrangements for local health bodies. All local audits will be regulated within a statutory framework, overseen by the National Audit Office and the profession.

With an end to the Commission’s responsibilities for overseeing and delivering local audits and unnecessary research activities, and with the Government fulfilling its commitment to cut local government inspection, the Audit Commission will be disbanded. As a result of the changes, the Audit Commission’s in-house practice, which is the fifth largest audit practice in the country, will be transferred out of public ownership. A range of options will be developed for converting the audit practice into a business independent of Government, which could be sold or otherwise transferred into the private sector.

I enclose a copy of my announcement, which sets out more fully the Government’s plans for local audit. Our intention is to have the new systems in place from 2012-2013, which will involve introducing legislation this session. We will now be working closely with the Audit Commission, the accountancy profession, and the local government and health sectors to develop the detailed design of the new systems, and to take forward in the most effective way the transfer of the Commission’s in-house audit practice into the private sector.

Yours sincerely,

THE RT HON ERIC PICKLES MP



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Rt Hon John Denham MP
House of Commons
London
SW1A 0AA

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Dame Margaret Eaton OBE
Chairman
Local Government Association
Local Government House
Smith Square
London
SW1P 3HZ

I am writing to let you know that I am announcing plans to disband the Audit Commission, and refocus the audit of councils and other local bodies on helping local people hold those bodies to account for local spending decisions. These changes will pass power down to the people, replace bureaucratic accountability with democratic accountability and save the tax payer some £50m per year.

Specifically, we plan to stop the Commission's responsibilities for overseeing and delivering local audits; its research activities will end; its audit functions will be moved to the private sector; councils will be free to appoint their own independent external auditors from a more competitive and open market; and there will be new audit arrangements for local health bodies. All local audits will be regulated within a statutory framework, overseen by the National Audit Office and the profession.

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