

## Bureaucracy Review Group 12 November 2009

### Expenditure on Financial Audit: For Information

At its last meeting the BRG considered a proposal on future audit arrangements between the Young Peoples Learning Agency, the Skills Funding Agency and local authorities. As an aside BRG minuted that it did not accept the implication in the proposal that audit was at a historically low level.

The issue was pursued rigorously by the BRG's predecessor, the Bureaucracy Busting Task Force (BBTF). The BBTF's recommendations were instrumental in a major change in the audit regime for FE colleges. After 2004/05 the LSC ended the universal annual funding requirement for all colleges in favour of risk based coverage. In exchange colleges were to take responsibility for regulating their own data quality and accuracy of their funding returns. The LSC resource devoted to the audit of learning funded by results mainly at commercial and charitable providers has also declined.

The BRG may wish to celebrate the success of its predecessor's work and note that such oversight of bureaucracy can deliver results. The figures below are what has been spent by the LSC and colleges on audits in 2004/05 and 2007/08, the latest date for which we have figures. Across all audit costs, there is an annual net saving of about £8.5 million. For the five years to 2009/10 that will have paid for an additional 13,300 learners.

<b>Financial audit cost</b>	<b>2004/05 £ millions</b>	<b>2007/08 £ millions</b>
College financial statements audit	5.3	7.2
College internal audit	6.1	6.8
College regularity audit	1.5	Included in financial statements costs
Other audit purchased by colleges	1.6	3.5
LSC provider financial assurance in-house costs	8.0	4.4
LSC outsourced assurance	11.0	3.0
<b>Total</b>	<b>33.5</b>	<b>24.9</b>

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