

LOCAL AUDIT REFORM – OVERHAULING THE LOCAL AUDIT SYSTEM IN ENGLAND

Introduction

Until 29 January 2025, the Ministry of Housing, Communities and Local Government is consulting on proposals to overhaul the current local audit system in England.

This report sets out the proposed draft response to the consultation for submission for the Council's approval.

Draft Consultation Response

1. Do you agree the Local Audit Office (LAO) should become a new point of escalation for auditors with concerns?

Strongly agree

Agree

Disagree

Strongly disagree

2. Do you agree relevant issues identified should be shared with auditors, government departments and inspectorates?

Strongly agree

Agree

Disagree

Strongly disagree

3. Should the Local Audit Office (LAO) also take on the appointment and contract management of auditors for smaller bodies in the longer term?

Yes

No

If yes, when should responsibilities transfer from Smaller Authorities Audit Appointments Ltd (SAAA)? As soon as practicably possible

If no, please explain your answer (optional)

4. Should the Local Audit Office (LAO) oversee a scheme for enforcement cases relating to local body accounts and audit?

Yes

No

Please explain your answer (optional)

5. How could statutory reporting and Public Interest Reports (PIRs) be further strengthened to improve effectiveness?

6. Should the scope of Advisory Notices be expanded beyond unlawful expenditure, or actions likely to cause a loss or deficiency, as defined by the Local Audit and Accountability Act, to include other high-risk concerns?

☒ Yes

☐ No

Please explain your answer (optional)

7. Should the Local Audit Office (LAO) own the register of firms qualified to conduct local audits?

☒ Yes

☐ No

Please explain your answer (optional)

8. Should the Local Audit Office (LAO) hold the power to require local bodies to make changes to their accounts, so that auditors could apply to the LAO for a change to be directed instead of needing to apply to the courts?

☒ Yes

☐ No

Please explain your answer (optional)

9. What are the barriers to progressing accounts reform?

Please explain your answer (optional)

10. Are there structural or governance barriers to accounts reform that need to be addressed?

☐ Yes

☐ No

Please explain your answer (optional) Don't know

11. Should any action to accounts reform be prioritised ahead of the establishment of the Local Audit Office?

☐ Yes

☒ No

Please explain your answer (optional)

12. Are there particular areas of accounts which are disproportionately burdensome for the value added to the accounts?

Yes

No

Please explain your answer (optional)

13. Do you agree that the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended and if so, when should it expire?

Yes

No

Please explain your answer (optional)

14. (a) Should the Local Audit Office adopt responsibility for CIPFA's Code of Practice on Local Authority Accounting?

Strongly agree

Agree

Disagree

Strongly disagree

Please explain your answer (optional)

14. (b) Are there other options relating to responsibility of CIPFA's Code of Practice?

Yes

No

Please explain your answer (optional)

15. Should the Accounting Code be freely available if it is not transferred to the Local Audit Office?

Yes

No

Please explain your answer (optional)

16. What additional support should be provided to finance teams, audit committees and elected members to develop and strengthen financial governance?

Please explain your answer (optional)

17. How should Key Audit Partners (KAP) eligibility be extended further, should some categories of local audit be signed off by suitably experienced Responsible Individuals (and if so, which)?

Please explain your answer (optional)

18. Should the market include an element of public provision?

Yes

No

Please explain your answer (optional)

19. If yes, should public provision be a function of the Local Audit Office (LAO)?

Please explain your answer (optional)

20. What should the initial aim be in relation to proportion of public and private provision?

Please explain your answer (optional)

21. Should the Secretary of State, in consultation with the Local Audit Office (LAO) and for defined periods, set an envelope within which the body could determine the appropriate proportion of public provision for the market?

Yes

No

Please explain your answer (optional)

22. Do you think that the Chair of an audit committee should be an independent member?

Yes

No

Please explain your answer (optional)

23. Do you have views on the need for a local public accounts committees or similar model, to be introduced in strategic authority areas across England?

Yes

No

Please explain your answer (optional)

24. Would such a model generate more oversight of spending public money locally?

Yes

No

Please explain your answer (optional)

25. How would the creation of such a model impact the local audit system and the work of local auditors?

Please explain your answer (optional)

26. Do you agree that the Major Local Audits (MLA) threshold should be increased?

Yes

No

Please explain your answer (optional)

27. Do you agree that some local bodies should be declared exempt from the regulatory focus of an Major Local Audits (MLA)? For example, should Integrated Care Boards be exempt?

Yes

No

Please explain your answer (optional)

28. Do you agree that smaller authorities' thresholds should be increased?

Yes

No

Please explain your answer (optional)

29. Do you agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation?

Yes

No

Please explain your answer (optional)

30. Are there other changes [which] would improve the accounting and limited assurance regime for smaller authorities?

Yes

No

Please explain your answer (optional)

31. What additional support, guidance or advice do local bodies and/or auditors need for future statutory deadlines (including backstop dates) for the publication of audited accounts?

Please explain your answer (optional)

32. Do you think that financial reporting and/or auditing requirements should be amended for a limited period after the backlog has been cleared and as assurance is being rebuilt, to ensure workload and cost are proportionate?

Yes

No

Please explain your answer (optional)

Recommendation

To agree to the consultation response.