

Response ID ANON-ZNGW-2QWH-8

Submitted to Local audit reform – a strategy for overhauling the local audit system in England
Submitted on 2025-01-29 13:40:19

Introduction

What is your name?

Name:
Paul Matravers

Are you responding on behalf of an organisation?

Yes

If yes, please specify which organisation:
Torbay Council

What is your position? (if applicable)

Job/role title:
Head of Corporate Finance

Local Audit Office remit

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

Agree

Please explain your answer (optional):

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

Agree

Please explain your answer (optional):

Yes, in addition the relevant issues should also be filtered through to all Local authorities where this is possible ie depending on the nature of the issue.

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

If yes, when should responsibilities transfer from Smaller Authorities Audit Appointments Ltd (SAAA)?:

It would make sense for all appointment and contract management of auditors to sit with one organisation.

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

Please explain your answer (optional):

This could potentially provide greater consistency in relation to enforcement cases. However, there is a lack of detail around the process to ensure there is a fair representation of both parties' views and opinions.

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

Please explain your answer (optional):

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

Please explain your answer (optional):

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

Yes

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

Please explain your answer (optional):

Financial reporting and accounts

9 What are the barriers to progressing accounts reform?

Please explain your answer (optional):

Resource constraints pose a critical barrier as local authorities and audit firms are encountering staff shortages and budget pressures. These limitations hinder their ability to adapt to and implement necessary changes effectively.

The current process operates within a complex regulatory environment, requiring extensive disclosures which causes significant challenges and inefficiencies. The lack of consensus among stakeholders including disagreements between auditors, local authorities, and regulatory bodies, has further delayed reforms and solutions.

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

Yes

Please explain your answer (optional):

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

No

Please explain your answer (optional):

There are priorities that could lay the groundwork for effective governance which would be in the remit of the LAO.

Simplifying reporting requirements - streamlining disclosures would reduce unnecessary complexity and duplication and would enable local authorities to produce clearer and more concise statements of accounts.

Consensus on codes of practice - is essential to avoid delays and ensure smoother implementation of reforms.

Resource constraints - including increasing funding, providing training and recruiting appropriately skilled staff would strengthen resilience and capacity within local authorities and audit firms.

Clarifying the roles and responsibilities of all stakeholders - would improve accountability and reduce ambiguity.

Establish an interim oversight mechanism - this would ensure progress continues and key tasks are completed and momentum for these reforms is sustained during the transition period.

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

Yes

Please explain your answer (optional):

The current financial reporting practices contain areas which could be streamlined to improve efficiency and relevance. Examples being the narrative statement and preparation of group accounts.

An element of the narrative statement duplicates information which is available in other reports, such as the outturn report. The preparation of group accounts can be disproportionately resource-intensive when some subsidiaries have minimal financial impact.

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

Please explain your answer (optional):

The treatment of local authority infrastructure assets should be extended until a solution is identified that is agreeable to all auditors, CIPFA, and the International Accounting Standards Board.

This will ensure that any future accounting treatment is well understood, feasible, and aligned with the needs of all stakeholders.

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

Agree

Please explain your answer (optional):

However, the issue of potential for conflict of interest needs to be considered.

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

Not Answered

Please explain your answer (optional):

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

Yes

Please explain your answer (optional):

The accounting code should be freely available to all and consideration should be given if it should be freely available if it is not transferred to the Local Audit Office

Capacity and capability

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):

Training sessions and continuous professional development should be available to all Finance teams to ensure they equipped with the skills and knowledge in this area. Consideration should be given whether this training is mandatory.

Similarly guidance and training for Audit committee members and elected members on the key questions to consider as part of their assessment of the accounts and audit process.

Regular updates should be provided to finance teams, audit committees and elected members to ensure they are kept updated on issues, reforms and updated guidance in this area.

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):

The new pathway to the registration of KAPs knowledge-based Diploma in Local Audit developed by CIPFA is supported.

Agree that some categories of local audit could be signed off by suitably experienced Responsible Individuals (Ris) as this would increase capacity. However there needs to be a system of quality control implemented.

18 Should the market include an element of public provision?

Yes

Please explain your answer (optional):

An element of public provision is supported

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

Please explain your answer (optional):

As the oversight by this function should fall with with the LAO remit.

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

Please explain your answer (optional):

Audit regimes for different types and sizes of local body

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

No

Please explain your answer (optional):

Assurance to the audit committee is provided by the statutory officers (monitoring officer and s151 officer) that the committee has terms of reference and is constituted to ensure the role of an audit committee is effectively discharged.

Support is given to there being an independent member on the committee, but do not believe it is necessary for the independent member to be the chair.

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

Please explain your answer (optional):

There is a need for the outcome of audits of local authorities to be fed back to the strategic authority in order that there is an understanding of issues and that a local authority in the area of the strategic authority might have.

Whether this is delivered via a local public accounts committee or via another method needs to be considered. If the role of the strategic authority is to understand how local authorities are 'performing' as a whole and not just from a financial perspective then a local public accounts committee would not work.

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

Yes

Please explain your answer (optional):

However, the issue around duplication of the responsibilities need to be considered. Defining the 'model' and it's terms of reference are key to ensuring that value is being added.

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):

Potentially increasing the work of local auditors if an additional report is required for the strategic authority. As mentioned in the previous answer the 'value added' and 'duplication' is the key question.

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

Yes

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?

Not Answered

Please explain your answer (optional):

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

Yes

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

Please explain your answer (optional):

30 Are there other changes that would improve the accounting and limited assurance regime for smaller authorities?

Not Answered

Please explain your answer (optional):

Local audit backlog

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):

Any advisory notes, changes in legislation etc should be issued directly to local authorities.

Webinars or seminars held for key changes that may happen in future as there are significant change on how audits are delivered, auditor appointments etc in the immediate future.

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

Please explain your answer (optional):