

Appendix 3

LGA response : Local audit in England Code of Audit Practice. Draft Code Consultation

February 2024

About the Local Government Association

1. The LGA is the National Voice of Local Government. We're on the side of councils: promoting their work, supporting them to improve and helping them make a difference to people, places, and the planet. As the national membership body for local authorities, we provide the bridge between central and local government and we help councils deliver the best services to their local communities.
2. This response has been cleared by the LGA's Economy and Resources Board.

Introduction

3. It has been clear for a long time that local audit is in crisis. Identifying the causes of the crisis is not simple; it has been recognised that the causes are multi-faceted and complex and will take time to address. We have been pressing the Government to set a firm timetable by which timely audits will be restored so it is good that the proposals being consulted on have been published and we welcome the opportunity to comment.
4. The need to come to a pragmatic solution to the backlog is urgent. However, this must not lead to reputational damage for councils as a result of a problem that is not of their making. There is much in these proposals that will be hard for local authorities to deal with (and also much that will be hard for others in the system). Nevertheless, overall, the proposals represent the best opportunity for resolving the situation and must therefore be supported overall, subject to some caveats that are outlined in responses to individual questions.
5. The fact that the proposed reset period will take until 2028 shows the complexity of the problem to be solved. Ultimately, a long-term solution is needed to this crisis which will require a joint effort from a range of stakeholders including the Government, the audit firms, the regulators and Chartered Institute of Public Finance and Accountancy (CIPFA). While there is reference to the long-term proposals, more attention is paid in the proposals to the short term reset and the implementation of backstop arrangements. While this is understandable, it is crucial that the actions taken are part of a long-term plan that will restore confidence in the local audit arrangements, restore timely audits permanently, and improve financial reporting.
6. It is also important that the proposals in this consultation and in the parallel one from DLUHC align with the forthcoming consultation from CIPFA on changes to the accounting code.
7. We understand that the current consultation from the National Audit Office (NAO) is solely concerned with changes to the Code of Audit Practice that will enable or

support the introduction of back stop dates. We are responding separately to the consultation from DLUHC which covers the actual introduction of the back stops.

Specific Questions

Question 1. Do you agree with the principles of effective co-operation during the handover period where there is a change in the appointed auditor? (The handover period is defined as the period from the date from which the new auditor's appointment takes effect to the date on which the outgoing auditor certifies completion of their audit).

8. This is straightforward and is supported.

Question 2. Do you think that the proposed Code requirements in respect of the 'backstop' dates are sufficient to require and enable auditors to report their opinion at the backstop date, apart from in the exceptional circumstances set out?

If not, what needs to be added or strengthened?

9. We note that the wording says that the audit opinion (report) has to be issued "in time for the relevant authority to publish its accounts by the specified date." "In time" is vague and needs to be better defined in the code, and set so that it is clear that this is sufficient to allow for publication by the back stop date. For example the code could specify that auditors have to deliver the audit opinion (report) at least two weeks before the actual back stop date, (if two weeks is a reasonable time; it may need to be a month). This would clarify the requirements being placed on auditors.

10. We note that the "exceptional circumstances" are defined in the draft code but that the DLUHC consultation running alongside this asks for views as to what should count as "exceptional circumstances". Clearly the two need to align.

Question 3. Do you agree that the Code should require auditors to perform a reduced scope of work on proper arrangements to secure VFM on a temporary basis for incomplete audits up to and including 2022-23?

11. We agree. This is something we have suggested before as a response to the backlog, for example in [our written evidence the LUHC enquiry](#) into Financial Reporting and Audit in Local Authorities in 2023.

Question 4. Do you have any comments on the proposals for the reduced scope of proper arrangements set out under the reporting criteria that auditors are required to report for incomplete audits up to and including 2022-23?

12. The proposals appear to be prescriptive in outlining what should be covered. This is supported and should help avoid confusion.

Question 5. Do you agree with the approach to enable the auditor to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022-23?

13. We agree with this approach. This is something we have suggested before as a response to the current backlog.

Question 6. Do you agree that auditors should be required to return to the full scope of VFM arrangements work under the three reporting criteria set out under paragraph 3.11 of Chapter Three of the Code from audit year 2023-24 (the year of which the new audit appointments contracts under PSAA's national scheme start)?

14. This is supported. With the introduction of the backstops each of these years will be audited separately and it makes sense to return to separate reports for each.

Question 8. (there is no question 7). Do you agree that the Code should specify the 30 November as the date by which auditors should issue their auditor's annual report based on the work they have completed so far rather than wait for the audit to be fully completed?

15. This should help with ensuring reporting is up to date and that any issues are identified at an appropriate time and is therefore supported.

Question 9. Are there any other comments you wish to make?

16. No further comments.

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