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Levelling Up, Housing and
Communities Committee

Financial Reporting and Audit in Local Authorities

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to the report*

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Levelling Up, Housing and Communities Committee

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Summary

Local authorities in England spend over £100 billion each year delivering vital public services for their local taxpayers. It is essential that this money is properly accounted for and that the local authorities are held accountable for their decisions and spending. The main way this is done is through the local authorities' annual accounts, which are assured as reliable by independent audits.

Local audit—and local government more widely—is in the middle of a crisis that is undermining public trust. One of the most pressing symptoms of this crisis is a large and growing backlog of accounts whose audits have not been completed, some of them up to seven years old.

The Department for Levelling Up, Housing and Communities is right to be taking urgent action—in conjunction with the many other stakeholders in the sector—to address and reduce the backlog of accounts. However, the Department must also take action in the longer term to prevent backlogs like these from happening again, and to get local audit onto a stable footing going forwards. A key part of this will be the creation of a statutory body to be the system leader for local audit. The Government intends to establish a new body, the Audit Reporting and Governance Authority (ARGA), as this system leader, but it is not clear that the Government considers establishing the system leader as a priority, especially as the legislation required to achieve this has been delayed time and time again.

There are also fundamental weaknesses in the accounts themselves that are hampering the efforts of members of the public and other stakeholders to use them in holding local authorities to account. Local authority accounts are overly complicated to the point of being impenetrable to most readers of the accounts. Moreover, such accounts do not always contain all the information that users want and need to hold local authorities to account.

The government and other stakeholders have made decisions about the content and format of the accounts without there being a full and shared understanding of what the accounts should be for, who their target audience is, and how they are expected to be used. In this report, we have set out five purposes of local authority accounts that we believe should underpin all attempts to change and improve the accounts. In brief, local authority accounts should:

- be a credible public record;
- allow funders to hold authorities to account for use of funds;
- allow stakeholders to make conclusions on authorities' value for money;
- allow officers and councillors to make informed decisions; and
- allow stakeholders outside the authorities to make informed decisions.

These purposes will ultimately focus local authority accounts on their role as vital tools for upholding local democracy and accountability. Some specific and straightforward changes that would align local authority accounts with these purposes include

introducing a standardised statement of service information and costs (as recommended by the earlier Redmond Review), decoupling pension statements from the accounts, ensuring that auditors consider and conclude on the value for money achieved by local authorities, and encouraging more consistent use of auditors' existing powers to sound early warnings. Some local government legislation overrides the ordinary accounting practice for local authority accounts, which stakeholders have told us is not useful and makes the accounts harder to understand. The Government must reform this local government legislation to remove the overrides that add unnecessary requirements to local authority accounts.

1 Introduction

1. Local authorities are responsible for spending approximately £100 billion each year to deliver public services that local taxpayers rely on every day. This is a very significant sum of money and the public as well as other stakeholders want to be assured that this money is spent well and wisely. This is essential for accountability and a key foundation for local democracy, as local authorities, local officials, and locally elected politicians acting on behalf of citizens need to be held to account for their actions and decision-making.

2. To support local democracy and accountability in practice, local authorities are required by law to produce accounts every year to publicly report on their spending and financial situation. These accounts, usually published by local authorities as a document called the Statement of Accounts, include: a set of financial statements (i.e. tables showing the authority's income, expenditure, assets, and liabilities); and a narrative report that presents the authority's view of its activities, performance and governance during the year. The public and other stakeholders should be able to use these accounts to understand what is happening at the local authority, and then use what they have learned to participate more fully in local democracy and accountability.

3. To ensure that the information in these accounts is credible, the Statement of Accounts must be audited by an independent auditor, generally a private firm that is registered as a local auditor with the Institute for Chartered Accountants in England and Wales (ICAEW), a professional membership organisation that is currently the recognised supervisory body for local audit. The auditor reviews the accounts and supporting evidence, then gives an opinion on whether the accounts comply with reporting requirements and are free from material errors, and on whether local authorities have adequate arrangements to secure value for money. We refer to these as “audit outputs”, which are usually presented in an audit report alongside the accounts.

4. Local authorities are unlike businesses or other public bodies in that they are required to publish not only their audited accounts with accompanying audit outputs, but also their unaudited accounts as they were presented to the auditors before the audit took place. In this report, we use the term “accounts” to refer to the audited accounts of local authorities, unless otherwise stated.

5. The processes for producing local authority accounts and for conducting local audit are so closely entangled that they cannot be meaningfully separated. Therefore, in this report we have considered local authority accounts and local audit as parts of a single, combined process. The audited accounts are the product of this combined process.

6. This report is focused only on local authorities in England, and we have not considered the accounts of smaller authorities like parish councils, internal drainage boards, charter trustees or port health authorities.

Our inquiry

7. The launch of our inquiry follows calls for a Parliamentary inquiry into local government accounts from the ICAEW¹ and from the academics Professor Laurence

1 Written evidence to the Committee of Public Accounts' inquiry [Local Government Finance System: Overview and Challenges](#), November 2021 (HC 646): Institute of Chartered Accountants in England and Wales ([LFS0001](#))

Ferry and Dr Henry Midgley.² There has never been a Parliamentary review into local authority accounts as there has been for central government accounts (that is, the annual financial reports of central government departments and their consolidated bodies).³

8. The timing of our inquiry also coincides with current significant issues in the local government and local audit sectors, which are so severe that many are calling the current situation a crisis. This currently includes eight councils effectively declaring bankruptcy, with many more on the brink of financial distress. We are pursuing the wider topic further in our separate inquiry on *Financial Distress in Local Authorities*, but in this report we focus on the symptoms that have manifested in the local audit system specifically, particularly years-long delays to deliver some audits. These are urgent issues to address, but as mentioned above there are also underlying issues with local authority accounts that have attracted less attention but are serious nonetheless.

9. We launched our inquiry on 3 March 2023. The terms of reference of the inquiry covered four topics: the users and uses of local authority accounts and audit; the understandability and accessibility of local authority accounts and audit; making local authority accounts meet the needs of users better; and addressing findings in audits and sharing best practice. We received 28 pieces of written evidence and drew on previously published reports, most significantly Sir Tony Redmond's *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (the Redmond Review) from September 2020.

10. During our inquiry we held four oral evidence sessions. Our witnesses included: Sir Tony Redmond, author of the Redmond Review; the Financial Reporting Council (FRC); academics; think tanks; the Comptroller & Auditor General and the National Audit Office; the Chartered Institute of Public Finance and Accountancy (CIPFA); the Institute of Chartered Accountants in England and Wales (ICAEW); the CIPFA/LASAAC Local Authority Code Board; the Financial Reporting Advisory Board (FRAB); and representatives from English local government, including councillors and finance directors. At our ministerial session, we heard from Lee Rowley MP, then-Parliamentary Under-Secretary of State for Local Government and Building Safety, and Siobhan Jones, the Director of Local Government Policy at the Department for Levelling Up, Housing and Communities.

11. Although addressing the current and continuing crisis in local audit (and local government financing more generally) is both important and urgent, we feel further actions to deal with structural weaknesses in local government accounting are just as important in the longer term. The country has what has been recently described as “a once-in-a-generation opportunity to fix longstanding, underlying problems with the way local government financial statements are used”.⁴

2 Written evidence to the Committee of Public Accounts' inquiry [Timeliness of local auditor reporting on local government in England](#), May 2021 (HC 171): Professor Laurence Ferry (Professor at Durham University Business School), and Dr Henry Midgley (Assistant Professor of Accounting at Durham University Business School) ([TLA0001](#))

3 The last Parliamentary review into central government accounts was: Public Administration and Constitutional Affairs Committee, Fourteenth Report of Session 2016–17, [Accounting for democracy: making sure Parliament, the people and ministers know how and why public money is spent](#), HC 95

4 [Alison Ring: the spotlight on local audit is also shining on the accounts](#), Room 151, 4 July 2023

12. We wish to thank all those who made the time to contribute to our inquiry and helped us to shape our conclusions and recommendations. We also wish to thank our special advisers: Aileen Murphie, Honorary Professor, Durham University Business School, and Professor Tony Travers, School of Public Policy, London School of Economics.

Structure of the report

13. In Chapter 2, we consider why accounts and audit are not being used to their full potential in supporting local democracy and accountability. We consider what the purposes of local authority accounts and audit should be, and how these purposes should underpin any moves to change and improve the accounts.

14. In Chapter 3, we consider the current state of the local audit system. We consider the significant backlog of delayed audits, steps that can be taken to prevent similar delays from happening in future, and the role that a local audit system leader should play in the longer term.

15. In Chapter 4, we consider options for making accounts more useful so that they can better support local democracy and accountability. These are split into two: changes to be made to the format and contents of the accounts themselves, and changes to the local audit process and its outputs.

2 Primary issues with local authority accounts and audit

16. In this chapter, we consider why accounts and audit are not used to their full potential in supporting local democracy and accountability. One key reason is that the local authority and local audit sectors lack a shared understanding of the purposes of local authority accounts and audit, meaning what they are actually for and intended to accomplish. We present our views for what the purposes of the accounts and audit should be, and discuss options for keeping these purposes in view by the sector.

Failure to support local democracy and accountability

17. Many stakeholders have told us that the publication of local authority accounts can and should play a vital role in local democracy and accountability. For example, the Institute of Chartered Accountants in England and Wales (ICAEW) described local authority accounts as “essential to the UK’s system of local accountability and democracy” and Sarah Rapson, then-Deputy Chief Executive of the Financial Reporting Council (FRC), said they were a “vital part of local democracy”.⁵ We have also heard that the audit of local authority accounts is similarly important, with Gareth Davies, the Comptroller & Auditor General (C&AG), calling it “a fundamental part of our democracy.”⁶ The Department for Levelling Up, Housing and Communities told us:

Transparency and accountability are vital to our systems of local democracy. A key component to ensure that local authorities remain accountable to the citizens that rely on their services is the publication of audited financial statements.⁷

18. Academics, Professor Laurence Ferry and Dr Henry Midgley, as well as the audit firm KPMG, told us that there is little to no detailed data about how widely used local authority accounts are,⁸ but anecdotal evidence from several stakeholders suggests that they are currently used rarely and by only a few people. For example, the volunteer-run civil society organisation People’s Audit that told us almost no citizens look at local authority accounts, and that therefore “[t]he role that local authority accounts and audit play in local democracy is very limited.”⁹

19. We have been told that members of the public who try to use local authority accounts find it difficult to get the information they want from them. Stakeholders who told us this include civil society organisations, like People’s Audit and Research for Action, and the National Youth Agency.¹⁰

5 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 9; [Q2](#) [Sarah Rapson]; Chartered Institute of Public Finance and Accountancy ([FRA0021](#)) para 3.3; [Q123](#) [Lynn Pamment]

6 [Q104](#) [Gareth Davies]; National Audit Office ([FRA0027](#))

7 Department for Levelling Up, Housing and Communities ([FRA0024](#))

8 Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 2.5; KPMG LLP ([FRA0019](#))

9 People’s Audit ([FRA0007](#)); Chartered Institute of Public Finance and Accountancy ([FRA0021](#)) para 5.2; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 20; Dr Anthony Fraser ([FRA0015](#)) sections 1.1 and 1.3

10 People’s Audit ([FRA0007](#)); National Youth Agency ([FRA0014](#)); Research for Action ([FRA0017](#)) section A.4; Dr Anthony Fraser ([FRA0015](#))

20. This view, that the difficulty in extracting useful information from accounts prevents the public and other stakeholders from using those accounts, was supported by Lee Rowley MP, the then-Parliamentary Under-Secretary of State with responsibility for Local Government, who told us that, despite his previous experience working for an accountancy firm, he could not recall ever having used the accounts in eight years serving as a local councillor because the accounts were so complicated.¹¹

21. The publication of local authority accounts and local authority audit have a vital role to play in supporting local democracy and accountability. However, their capability to fulfil this vital role is limited because stakeholders who might want to use the information in the accounts encounter significant challenges in finding and understanding the information they need. As a result, many stakeholders do not use the accounts at all. Local authority accounts and audit are therefore not adequately fulfilling their role in supporting local democracy and accountability.

Lack of clarity around the purposes and intended users of local authority accounts

22. During our inquiry, we asked stakeholders across the sector for their views on the purposes and intended users of local authority accounts and audits. We found that, although there are common themes in many of the responses we received, there is also significant variation and even disagreement in this area.

23. There is disagreement around the purposes and intended users of the accounts themselves. For example, Conrad Hall, Chair of the CIPFA/LASAAC Local Authority Code Board, and Iain Wright, Managing Director of Reputation and Influence from ICAEW, disagreed on whether the primary intended users of local authority accounts were residents of an authority or councillors.¹²

24. There is also confusion and disagreement about the purposes of local audit. The need for “clarity of purpose in local audit” was one of the key factors considered by Sir Tony Redmond in developing the recommendations of his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (the Redmond Review).¹³ In its responses to the Review, the Government agreed that “differing views on ‘what local audit is for’ has contributed to a disjuncture between organisations within the system.”¹⁴ Moreover, Sarah Rapson of the FRC told us: “As the incoming system leader, it has become clear [...] that there is no common view as to the purpose of local audit, and we think that’s a problem.”¹⁵

25. Despite the lack of a shared understanding of the purposes of local authority accounts and audit, we have heard that the format and contents of local authority accounts and audit reports should be better tailored to the intended users and purposes of the accounts. The audit firm Ernst & Young told us that “it is imperative that the form, function and content of [local authority] accounts is carefully reconsidered to define what needs to

11 [Qq214, 261](#) [Lee Rowley MP]

12 [Q127](#) [Iain Wright; Conrad Hall]

13 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 9.2 and 9.5, pp 72–73

14 Ministry of Housing, Communities & Local Government, ‘[Local authority financial reporting and external audit: Spring update](#)’, published 19 May 2021, accessed 17 August 2023, para 15

15 [Q12](#) [Sarah Rapson]

be included (and excluded) to ensure they are fit for purpose”.¹⁶ Similarly, Alison Scott, the Shared Director of Finance for Three Rivers District Council and Watford Borough Council, told us:

At the moment, the statement of accounts tries to be all things to all people and, in doing that, gains lots of complexity. It almost loses its focus as to who it is supposed to be being produced for and who its focus is on.¹⁷

26. There is currently no shared view of the purposes of local authority accounts and who should be using them. This has made it difficult to decide what the format and contents of the accounts, and their accompanying audit outputs, should be so that accounts fulfil their role in supporting local democracy and accountability.

Establishing clarity around the purposes of local authority accounts

27. The evidence submitted to our inquiry references five main purposes of local authority accounts. In describing these purposes below, we have referred to the purposes of the financial accounts of central government bodies, which have been agreed by HM Treasury and documented in the *Government Financial Reporting Manual* (FReM).¹⁸ The FReM is the technical accounting guide for preparing financial statements in central government, and the finance teams of all central government departments refer to the FReM and follow its requirements when preparing their accounts.

Purpose 1: A credible public record

28. According to HM Treasury, one of the purposes of financial reporting in central government is: “to provide a credible and accurate record which can be relied upon.”¹⁹ Witnesses to our inquiry who told us that the use of local authority accounts as a public record was one of their key purposes include Sir Tony Redmond, author of the Redmond Review,²⁰ and the Chartered Institute of Public Finance and Accountancy (CIPFA).²¹ Minister Rowley also said: “The ability to record what is going on accurately and in a trustworthy way is an important end in itself, as well as a means to opening up other questions.”²²

29. As we have heard from Professor David Heald and the ICAEW, the credibility of the accounts is derived from independent verification by a trusted third party (i.e. an independent auditor), which is to say from successful completion of the annual external financial audit.²³ As the local authority accounts is the only externally audited (and hence verifiably credible) financial document that an authority will regularly produce, it is uniquely valuable as a point of comparison for other financial reports and information that an authority releases, or that is released about the authority. As highlighted by Norfolk County Council, other financial information is more credible if it is consistent with, and ideally can be reconciled to, the audited annual report and accounts.²⁴

16 Ernst & Young LLP ([FRA0023](#))

17 [Q153](#) [Alison Scott]

18 Most recently: HM Treasury, *Government Financial Reporting Manual* (December 2022), para 2.4.1

19 HM Treasury, *Government Financial Reporting Manual* (December 2022), para 2.4.1

20 [Q2](#) [Sir Tony Redmond]

21 Chartered Institute of Public Finance and Accountancy ([FRA0021](#)) section 3.3

22 [Q211](#) [Lee Rowley MP]

23 Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 6; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 13–15

24 Norfolk County Council ([FRA0003](#)) Q1

30. **We believe that the first purpose of local authority accounts is:**

To provide a credible public financial record that can be relied upon, and which can be used as a point of comparison for other financial information to assess its credibility and accuracy.

Purpose 2: Accountability for spending

31. According to HM Treasury, one of the purposes of financial reporting in central government is:

[T]o maintain and ensure parliamentary control of government spending, enabling, in particular, Parliament to hold the Government accountable for its spending.²⁵

32. The principle is that those who provide funding to a local authority should be able to hold the local authority to account for the way it has used that funding, namely its spending. As Councillor Tudor Evans of Plymouth City Council told us: “You have to account to the funders.”²⁶

33. Funding to central government is formally approved by Parliament, but local authorities are funded differently. The audit firm KPMG stated that council taxpayers, businesses and central government are the main providers of local authority funding and are therefore the most relevant bodies to scrutinise the use of funds.²⁷ Supporting this view, Iain Wright from ICAEW told us: “Council taxpayers want to know how their money is being spent, and ultimately local authority accounts are the best way of being able to distil that.”²⁸

34. **We believe that the second purpose of local authority accounts is:**

To enable council taxpayers, businesses, central government, and other sources of funding to understand what money the local authority has received (including council tax, government grants and borrowing) and how the authority has used its resources, so they can hold the authority to account for its spending decisions.

Purpose 3: Value for money

35. According to HM Treasury, one of the purposes of financial reporting in central government is:

[T]o enable the public and researchers (both in civil society and Parliament) to understand and consider the value for money offered by public spending, so that they can make decisions about the effectiveness, efficiency and economy of particular policies or programmes.²⁹

25 HM Treasury, [Government Financial Reporting Manual](#) (December 2022), para 2.4.1

26 [Q192](#) [Councillor Evans]

27 KPMG LLP ([FRA0019](#)) section 5

28 [Q123](#) [Iain Wright]

29 HM Treasury, [Government Financial Reporting Manual](#) (December 2022), para 2.4.1

36. Many stakeholders supported the idea that either the local authority accounts or the local audit should allow users to take a view on value for money, or the performance of the authority. For example, Knowsley Council told us that the value for money report “is the key element which provides an overall (and accessible) assurance regarding the good stewardship of a council’s finances.”³⁰

37. HM Treasury defines value for money as a judgement about the optimal use of public resources to achieve stated objectives.³¹ The National Audit Office assesses value for money using the following criteria: economy (“spending less”), efficiency (“spending well”), effectiveness (“spending wisely”) and, in some instances, equity (“spending fairly”).³²

38. Although local authority accounts can contain useful information that should contribute to an assessment of value for money, this purpose is primarily delivered through the audit. However, Ernst & Young suggested that commentary on value for money should not be the responsibility of the auditor only, but that the authority itself should have a responsibility to document and describe the adequacy of its own value-for-money framework in its own accounts.³³

39. **We believe that the third purpose of local authority accounts is:**

To enable residents, service users, and councillors to understand the value for money offered by the authority’s spending, so that they can scrutinise the economy, efficiency, effectiveness, and equity of services or programmes.

Purpose 4: Information to run local authorities

40. According to HM Treasury, one of the purposes of financial reporting in central government is:

[T]o provide managers inside departments (including both ministers and civil servants) with the information they require to run the departments and their agencies efficiently and effectively.³⁴

41. Decision-makers in local authorities include officers at operational level and also councillors. The information needed by councillors and officers to run a local authority is not the same as the information needed by managers to run a central government department. For example, councillors and officers of an authority need a credible understanding of the authority’s financial sustainability and resilience in order to make informed decisions about how to manage it. Knowsley Council, the National Audit Office and Manchester City Council all told us that reporting on financial sustainability was a significant purpose of the accounts.³⁵

42. **We believe that the fourth purpose of local authority accounts is:**

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- 30 Knowsley Council ([FRA0020](#)); Norfolk County Council ([FRA0003](#)) Q1; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 14; Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 6; Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 2.1; KPMG LLP ([FRA0019](#)) section 3; Chartered Institute of Public Finance and Accountancy ([FRA0021](#)) section 4.1
- 31 HM Treasury, *The Green Book (2022)* (updated November 2022), Box 18
- 32 National Audit Office, ‘[Assessing value for money](#)’, accessed September 2023
- 33 Ernst & Young LLP ([FRA0023](#)) ‘Reporting and auditing value for money’
- 34 HM Treasury, *Government Financial Reporting Manual* (December 2022), para 2.4.1
- 35 Knowsley Council ([FRA0020](#)); National Audit Office ([FRA0027](#)); Manchester City Council ([FRA0025](#))

To enable councillors and officers inside the authority to understand the financial activity, financial position, financial sustainability, and resilience of the authority, so that they can make informed decisions and run that authority efficiently and effectively.

Purpose 5: Public reporting of actual and potential issues

43. Local auditors have responsibilities to the public that are not common in respect of general public sector audit. Local auditors must consider whether to make a Public Interest Report (PIR) on any matter coming to their notice during the audit that they believe should be brought to the public's attention. Local bodies are obliged to publicise PIRs relating to them.³⁶ According to the ICAEW, "public interest reports or statutory recommendations [...] can provide a vital early warning system for alerting councillors and other stakeholders of the need for action to address critical matters."³⁷

44. There is overlap between this purpose and the fourth purpose, as both relate to identifying risks facing the authority, but whereas the fourth purpose was about informing managers within councils, this purpose concerns reporting externally issues that are in the public interest. When Professor Heald spoke to us about early warning systems, he said: "Even if local authority leadership would not welcome more transparency, I think there is a democratic argument for more transparency."³⁸

45. **We believe that the fifth purpose of local authority accounts is:**

To enable the public, oversight bodies and central government to understand the financial situation and any actual or potential financial issues affecting the authority, so that they can make informed decisions about what actions to take.

46. We asked Lee Rowley MP, then-Parliamentary Under-Secretary of State with responsibility for Local Government, and Siobhan Jones, the Director of Local Government Policy at the Department for Levelling Up, Housing and Communities, whether the Government's view of the purpose of accounts had been codified and made available. The Director of Local Government Policy told us that "[t]here is not necessarily one place" where the purposes of accounts and audit were set out, but added that some statements had been released by the Department saying why local authority accounts and local audit were so important. Minister Rowley said that "there probably was some form of definition, but it is very fluid."³⁹

47. The Government must ensure that the purposes of local authority accounts are clearly set out in government policy and accessible to all relevant stakeholders. This should be done before the next accounts production cycle for the year ended 31 March 2024.

48. The Government must also coordinate with key stakeholders in the sector, including the Chartered Institute for Public Finance and Accountancy and the local audit system leader, to ensure that the production, content and format of local authority accounts

36 *Local audit in England*, Research Briefing [CBP-7240](#), House of Commons Library, 4 January 2023

37 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 14

38 [Q70](#) [Professor Heald]

39 [Qq218-219](#) [Lee Rowley MP, Siobhan Jones]

are aligned with the agreed purposes of local authority accounts; and it must report back to us at least annually on its progress in this area.

Lack of central authority for the purposes of local authority accounts

49. As noted above, the agreed purposes for central government accounts are disclosed in the [Government Financial Reporting Manual](#) (FReM), a central document prepared and published by HM Treasury each year, which is the technical accounting guide for preparing those accounts.⁴⁰ We now discuss whether the equivalent technical accounting guide for local authority accounts would be an appropriate document in which to distribute the agreed purposes of local authority accounts.

50. The technical accounting guide for local authority accounts is *The Code of Practice on Local Authority Accounting* (the Accounting Code). Application of the Accounting Code is part of the “proper practices” governing the preparation of an authority’s statement of accounts referred to in [Section 21 of the Local Government Act 2003](#).⁴¹ Although the Code does include a section on the purposes of the accounts, it does not mention all the purposes we have identified and does not refer to the wider underlying role of the accounts to support local democracy and accountability.⁴²

51. As the Local Government Association (LGA) told us, while adherence to the Accounting Code is mandatory, the Accounting Code itself is only available for a fee.⁴³ The academics Professor Laurence Ferry and Dr Henry Midgley told us that this makes local government accounting requirements “opaque to the general public.”⁴⁴ The Redmond Review, published in 2020, refers to CIPFA’s sales numbers that demonstrate “at least one third of local authorities do not purchase an Accounting Code in any given year.”⁴⁵ As a result, the Accounting Code is not accessible to all possible users of the accounts and is not currently suitable as a central document to distribute the Government’s view of the purposes of the accounts.

52. On the CIPFA website, the Accounting Code costs £365 for a hard copy version⁴⁶ and £750 for a digital version.⁴⁷ When asked about the cost of the Accounting Code, CIPFA’s Chief Executive Rob Whiteman told us that, while local authorities and auditors can reasonably pay for the Code, the fee is too high for a citizen auditor.⁴⁸

53. In contrast, HM Treasury makes the FReM available for free.⁴⁹ We acknowledge that the circumstances are not the same. CIPFA is not a government body, but a professional institute for people in public finance. Its work on the Accounting Code is funded through sales of the Accounting Code to local authorities and audit firms. Although the public

40 Most recently: HM Treasury, [Government Financial Reporting Manual](#) (December 2022), para 2.4.1

41 Chartered Institute of Public Finance and Accountancy, [Code of practice on local authority accounting in the United Kingdom 2022/23](#) (August 2022), para 1.3.2

42 Chartered Institute of Public Finance and Accountancy, [Code of practice on local authority accounting in the United Kingdom 2022/23](#) (August 2022), section 1.8

43 Local Government Association ([FRA0005](#)) para 26

44 Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 1

45 Sir Tony Redmond, [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) (September 2020), para 7.2.5, p 57

46 Chartered Institute of Public Finance and Accountancy, [‘Code of Practice 2022/23 hard copy’](#), accessed August 2023

47 Chartered Institute of Public Finance and Accountancy, [‘Code of Practice 2022/23 online’](#), accessed August 2023

48 [Q138](#) [Rob Whiteman]

49 HM Treasury, [‘Guidance on annual reports and accounts’](#), accessed August 2023

purse therefore bears some of the costs of the Accounting Code (those costs paid by local authorities), Rob Whiteman pointed out that it does not bear the whole costs, which are shared with the audit firms.⁵⁰ However, placing the burden of cost on audit firms has its own downside, potentially raising an additional barrier to firms entering the local government sector and thus contributing to the audit crisis that we discuss in Chapter 3.

54. Several stakeholders suggested that the Accounting Code should be freely available, including Sir Tony Redmond in the Redmond Review,⁵¹ and Professor Laurence Ferry and Dr Henry Midgley who stated that the organisation responsible for funding the Accounting Code should be the central government department with responsibility for local government.⁵² According to Lynn Pamment, the Chair of the Financial Reporting Advisory Board (FRAB):

Members of my board feel strongly that there should not be a paywall to anybody being able to access the accounting framework used by public sector bodies to prepare their accounts. We feel that the code should be free of charge to those who want it.⁵³

Rob Whiteman said “CIPFA would of course be open to discussions with the Government about whether the code should be funded in a different way”.⁵⁴

55. When we asked representatives of the Department whether the Government should fund CIPFA’s production of the Accounting Code, the Director of Local Government Policy said that the Department would not look to directly fund it. She said that it is the responsibility of the Chief Financial Officer at each local authority to be satisfied that their accounts met necessary requirements, and to judge whether this could be done without purchasing the Accounting Code.⁵⁵ However, as illustrated in the evidence discussed above, the Accounting Code is part of the statutorily recommended proper practices for preparing local authority accounts, and adherence to it is effectively mandatory.

56. The Code of Practice on Local Authority Accounting (the Accounting Code) is a statutorily recommended guidance document for preparing and understanding local authority accounts, but it is too expensive to be accessed by all possible users of the accounts. If made accessible, it could also serve to keep the agreed purposes of the accounts visible to the whole sector.

57. *Through coordination with the Chartered Institute of Public Finance and Accountancy, the Department for Levelling Up, Housing and Communities must make the Accounting Code freely available to all possible users of local authority accounts before the next accounts production cycle for the year ended 31 March 2024. Once this has been achieved, the Department should set out its assessment of what else it can do to encourage the use of the Accounting Code as a central, authoritative, and accessible document that meets the needs of all possible users of local authority accounts.*

50 [Q138](#) [Rob Whiteman]

51 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 9.13, p 74

52 Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 2.2

53 [Q138](#) [Lynn Pamment]

54 [Q138](#) [Rob Whiteman]

55 [Qq257–258](#) [Siobhan Jones]

The purposes of local audit

58. The system of producing local authority accounts and the system of local audit are inextricably linked, in that the purposes of the accounts identified above are not fulfilled solely through the accounts documents themselves, but in combination with audit. As such, the purposes of local audit are contained within and contribute to the wider purposes of the audited accounts.

59. Evidence submitted to our inquiry indicates that the purposes of audit are to assure the accuracy and credibility of the accounts, and to provide additional commentary (for instance on value for money) that is not included in the accounts documents. This additional commentary is needed to deliver the overall purposes of the accounts process. Professor David Heald and the LGA highlighted the assurance of credibility and the provision of value-for-money assessments as key purposes of local audit, as did the ICAEW, which also stressed its benefit of communicating findings to those charged with governance and to the public.⁵⁶ People's Audit focused in its evidence to us on the importance of the audit in reassuring stakeholders that the local authority is financially stable and that taxpayers' money is being wisely spent.⁵⁷

60. Within the broader rationale for the local authority accounting and audit systems, the purposes of local audit specifically are:

- a) **to establish the credibility of the local authority accounts, so that they can fulfil their purposes in supporting local accountability; and**
- b) **to supplement the local authority accounts with relevant information and conclusions that are needed to fulfil the purposes of the audited accounts, but that are not part of the disclosures in the accounts.**

56 Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 6; Local Government Association ([FRA0005](#)) para 27; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 13–15

57 People's Audit ([FRA0007](#))

3 The current audit crisis

61. In this chapter, we consider the current state of the local audit system which many have recently described as being in crisis. Although this crisis is said to have many causes and symptoms, we have focused on: the significant backlog of delayed audits; the steps that can be taken to prevent similar delays from happening in future; and the role that a local audit system leader should play in the longer term.

Acknowledging the crisis

62. Many key stakeholders have described the current situation in the local audit system as a crisis. These include:

- Neil Harris, Director of Local Audit at the Financial Reporting Council (FRC): “it is getting to a crisis stage”;⁵⁸
- Gareth Davies, Comptroller & Auditor General: “it is now an urgent crisis for local government and its auditors”;⁵⁹
- Rob Whiteman, Chief Executive of the Chartered Institute for Public Finance and Accountancy (CIPFA): “we are in crisis”;⁶⁰
- Councillor Tudor Evans, the leader of Plymouth City Council: “This is a crisis in audit at the moment”;⁶¹
- Professor David Heald, academic: “crisis in local audit is an English problem”;⁶²
- the Local Government Association (LGA): “Local audit is in crisis. Councils know this from experience”;⁶³ and
- Ed Hammond, the Deputy Chief Executive of the Centre for Governance and Scrutiny: “I think that it is acknowledged by many that the system is in crisis. That word has been used many times.”⁶⁴

63. When we asked Lee Rowley MP, the then-Parliamentary Under-Secretary of State with responsibility for Local Government, whether he accepted that the local audit system was in crisis, he said: “I don’t know whether I would use those words, but clearly changes are needed”.⁶⁵

The current backlog

64. The most obvious issue affecting the local audit system is the marked decline in the timeliness of delivered audits which has led to a significant and increasing backlog of local authority audits that have not been signed off. The NAO reported in January 2023 that

58 [Q30](#) [Neil Harris]

59 [Q109](#) [Gareth Davies]

60 [Q133](#) [Rob Whiteman]

61 [Q189](#) [Councillor Evans]

62 [Q65](#) [Professor Heald]

63 Local Government Association ([FRA0005](#)) para 3

64 [Q67](#) [Ed Hammond]

65 [Q220](#) [Lee Rowley MP]

only 9% of 2020/21 local authority accounts had audits published by the September 2021 deadline, and only 12% of 2021/22 local authority accounts had audits published by the extended November 2022 deadline.⁶⁶ Since then, the situation has become worse. Public Sector Audit Appointments (PSAA), the body responsible for procuring audit services for most local authorities, announced that only 1% of 2022/23 local authority accounts had audits published by the 30 September 2023 publication date. This brought the total number of delayed audits since 2015/16 (the first year in which PSAA was operational, and thus the earliest year for which it holds data) to 918.⁶⁷

65. Throughout our inquiry, and more widely, the consequences of these delays have been repeatedly brought to our attention. Many stakeholders have told us that audited accounts are only useful for supporting local democracy and accountability when they are delivered in a timely way; when they are delayed, the accounts become practically useless. For example, Dr Anthony Fraser told us that “[w]here [the auditor’s conclusion] is not available on a timely basis it fundamentally undermines its use to the local community.”⁶⁸ Others said that certain audit outputs, particularly the conclusion on arrangements for value for money, are much less useful when significantly delayed.⁶⁹

66. Moreover, we have been told that the need to complete older audits in the backlog consumes the time of the auditors and financial staff and prevents any meaningful work from being performed on more recent audits.⁷⁰ There is a destructive cycle, in which a delay to one year’s audit causes a greater delay to the next year’s audit, which causes knock-on delays in each subsequent year. Because of this, the backlog has become unmanageable and continues to grow.

67. Several stakeholders have told us that the only way to address this and break the cycle is to reset the entire system. Rob Whiteman put it most succinctly: “There needs to be some form of reset to get rid of the backlog.”⁷¹ We have heard from other witnesses that it is vital to clear the backlog by applying temporary measures to close or deprioritise earlier audits.⁷²

68. There would necessarily be some short-term pain involved in such a reset. For example, according to the academic Professor David Heald, it “will not be possible to catch up over a reasonable timescale without accepting the fact that there will be more audit qualifications”.⁷³ An audit qualification, or qualified audit opinion, is a type of audit conclusion in which the auditor cannot say that the accounts are materially true and fair, either because there is a misstatement in the financial statements or they have been

66 National Audit Office, *Progress update: Timeliness of local auditor reporting on local government in England* (25 January 2023), ‘Key facts’, p 4

67 Aysha Gilmore, *Only 1% of local government bodies have received audit opinions on 22/23 accounts*, Room 151, 10 October 2023

68 Q123 [Lynn Pamment]: “for local authority accounts to be useful they need to be timely”; Q109 [Gareth Davies]; Q129 [Conrad Hall]; Q193 [Councillor Wenham]; Norfolk County Council (FRA0003) Q1; Institute of Chartered Accountants in England and Wales (FRA0006) para 30; KPMG LLP (FRA0019); Dr Anthony Fraser (FRA0015) section 1.2

69 Local Government Association (FRA0005) para 5(iii); Q199 [Councillor Evans]

70 Knowsley Council (FRA0020); Manchester City Council (FRA0025)

71 Q133 [Rob Whiteman]

72 Q109 [Gareth Davies]; Qq131–133 [Lynn Pamment, Conrad Hall, Iain Wright, Rob Whiteman]; Q187 [Alison Scott]; Q189 [Councillor Evans]; Norfolk County Council (FRA0003) Q3; Local Government Association (FRA0005) para 3; Manchester City Council (FRA0025); Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) (FRA0012) para 12

73 Q76 [Professor Heald]

unable to obtain sufficient appropriate audit evidence. A qualified audit opinion does not necessarily indicate a failing in the finances of the local authority.⁷⁴ Representatives of councils expressed to us a desire to avoid significant numbers of qualifications, particularly if the local authority itself was not at fault.⁷⁵

69. The local audit system is currently in an unacceptable crisis which requires significant and urgent attention. The most significant symptom of the crisis is an extensive backlog of incomplete audits and unaudited accounts, some of them many years out of date. This has led to a deleterious cycle in which delays create further delays, and which can only be resolved by a potentially painful reset to the whole system.

70. On 14 July 2023, Minister Rowley sent a letter to us with an attached statement that set out the Department for Levelling Up, Housing and Communities' proposals to address the backlog and to develop a sustainable solution to the timeliness challenges. Although they have been developed in consultation with stakeholders in the sector, they are only preliminary proposals and the letter acknowledges that further work and engagement across the system will be needed to finalise and implement them.⁷⁶ The Minister told us that the Department is responsible for delivering these proposals.⁷⁷

71. The Department's statement proposed that it and the NAO set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits. Auditors would then be required to provide as much assurance as possible for these outstanding years before the relevant deadline. If there are any aspects or sections of the accounts that are not supported by sufficient appropriate evidence, the auditors must qualify or limit their opinion and provide commentary over what aspects or sections are not supported. The Department's statement acknowledged that these deadlines might result in qualifications and disclaimers of opinion in the short term, but argues that these steps are necessary.⁷⁸ These qualifications and disclaimers may have several different causes. It may be possible that the local authorities themselves are not at fault, and qualifications and disclaimers do not necessarily indicate that the local authority is failing financially or in distress.

72. The Department's statement anticipated that the implementation of these proposals could begin by the end of December 2023.⁷⁹ In his oral evidence to us, Minister Rowley confirmed that some elements of the proposals should be implemented by the end of the year. He also said that the dates of the statutory deadlines will be announced in Autumn 2023.⁸⁰

73. The Department has proposed a series of actions to clear the audit backlog, which include resetting the system through a limited series of statutory deadlines for the delivery of outstanding audits from previous financial years. These proposals represent a necessary first step towards overcoming the audit crisis. However, more

74 Association of Chartered Certified Accountants, '[Forming an audit opinion](#)', accessed September 2023

75 [Q187](#) [Gerald Almeroth]; [Q203](#) [Councillor Wenham]

76 [Letter from the Parliamentary Under Secretary of State for Local Government and Building Safety to the Chair dated 14 July 2023 concerning local government audits](#), cover letter and para 6–7

77 [Q228](#) [Lee Rowley MP]

78 [Letter from the Parliamentary Under Secretary of State for Local Government and Building Safety to the Chair dated 14 July 2023 concerning local government audits](#), cover letter and para 6–7

79 [Letter from the Parliamentary Under Secretary of State for Local Government and Building Safety to the Chair dated 14 July 2023 concerning local government audits](#), para 3

80 [Q225](#) [Lee Rowley MP]

work is needed to implement them and to resolve the issues in the local audit system to achieve meaningful and much needed change in the sector.

74. *The Department must move quickly to clear the audit backlog and implement its proposed actions by the end of the calendar year 2023. Until the actions have been fully implemented, the Department should provide us with updates on its progress every four months. In addition, the Department should ensure that, when auditors qualify or disclaim the audit opinions on delayed audits, the accompanying commentary should be clear whether the local authorities are at fault and whether the audit has given any indication of financial failings or distress at those authorities.*

Preventing another backlog

75. In the current local audit system, there is no statutory deadline for delivering audited accounts. As mentioned above, the Department proposes to introduce a limited series of statutory deadlines, but, setting aside this temporary measure to address the immediate backlog, there is only the ‘statutory publication date’ that needs to be adhered to. The statutory publication date is not a deadline for the *audited* accounts, but is the date by which *unaudited* accounts must be published. Local authorities are legally required to publish their unaudited accounts by the statutory publication date, and are expected to publish their audited accounts as well. However, if the authority is unable to publish its audited accounts along with the auditor’s opinion by the statutory publication date, then the only direct consequence is that the authority must publish a notice to that effect including reasons for the delay.⁸¹

76. Neil Harris, Director of Local Audit at FRC, which is soon to become the local audit system leader (discussed in the next section), told us that, although there is no statutory deadline (or ‘statutory backstop date’) in local audit, it is an idea that should be actively explored. He said that there need to be clearer levers and consequences across the system, and that the local audit system leader intends to put them in place.⁸² Several other witnesses also advocated a statutory deadline or backstop date, including: Lynn Pamment, the Chair of FRAB; Conrad Hall, the Chair of the CIPFA/LASAAC Local Authority Code Board; and Iain Wright, the Managing Director for Reputation and Influence at the Institute of Chartered Accountants in England and Wales (ICAEW). Iain Wright told us: “Unlike the corporate sector, there is no repercussion if a local authority does not produce its accounts on time.”⁸³

77. Statutory deadlines have been applied to the audited accounts of other organisations in the public sector, so there is a precedent for them. Departments and other central government bodies, which have a financial year end of 31 March, attempt to produce their accounts and lay them before Parliament by an administrative deadline of 30 June, but there is also a statutory deadline of 31 January the following year.⁸⁴

78. When we asked Lee Rowley MP, the then-Parliamentary Under-Secretary of State for Local Government and Building Safety, about statutory deadlines in the longer term, with suitable consequences if the deadline is missed, he told us that the Government’s

81 National Audit Office, [Progress update: Timeliness of local auditor reporting on local government in England](#) (January 2023), para 2.2

82 [Q41](#) [Neil Harris]

83 [Q132](#) [Lynn Pamment, Conrad Hall, Iain Wright]

84 HM Treasury, [Accounts Directions 2022–23](#), [DAO 06/22](#), December 2022, p 1

proposal was for “strong guidance in the first instance” and that he was “open-minded” on statutory deadlines. He said he felt that the lack of statutory deadlines for local audit was not a cause of delays, and that he would rather focus on the cause.⁸⁵

79. We welcome the commitment of the then-Parliamentary Under-Secretary of State for Local Government and Building Safety to address the causes of delays in the local audit system. While the lack of an annual statutory deadline is not itself a cause of delays, the lack of any consequences for local authorities and auditors for delayed delivery may have contributed to the current backlog of delayed audits. Annual deadlines with suitable consequences for failure to deliver might have prevented the accumulation of the backlog and the destructive cycle of delay that has led to this current crisis.

80. *The Department must introduce backstop dates for publishing audited local authority accounts on an annual basis going forwards. The Department must also ensure that, if an authority and its auditors do not collectively produce audited accounts by the backstop date in a given year, then the Section 151 Officer of the authority (and other responsible individuals such as the auditor’s Key Audit Partner) must immediately write to the Secretary of State for Levelling Up, Housing and Communities, to us, and to the authority’s council to explain why the audit could not be completed. The relevant recipients of the correspondence from the Section 151 Officer should then pursue any follow-up action as is necessary. The introduction of these backstop dates should be done alongside the Department’s implementation of its statement of proposals to clear the backlog, with a suitable annual backstop date chosen by the end of the calendar year.*

The role of the system leader

The Government’s decision to make ARGA the local audit system leader

81. In September 2020, Sir Tony Redmond published his [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) (the Redmond Review). The key recommendation of the Redmond Review was to establish a single body as the system leader to coordinate the many stakeholders of the local audit system.⁸⁶ The Government is in the process of giving the FRC the role of system leader over local audit. The FRC is currently providing shadow system leadership.⁸⁷

82. The Government intends that FRC will be transformed into a new body, the Audit Reporting and Governance Authority (ARGA), which will have full system leadership for local audit.⁸⁸ The creation of a new body to replace the FRC was the key recommendation of Sir John Kingman’s [Independent Review of the Financial Reporting Council \(FRC\)](#) (the Kingman Review) in 2018. The Kingman Review was primarily focused on FRC’s regulatory remit over private sector audit, not on local audit specifically.⁸⁹

85 [Q226](#) [Lee Rowley MP]

86 Sir Tony Redmond, [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) (September 2020), recommendation 1, p 5

87 [Q231](#) [Lee Rowley MP]

88 [Qq231–236](#) [Lee Rowley MP]

89 Sir John Kingman, [Independent Review of the Financial Reporting Council \(FRC\)](#) (December 2018); Department for Business, Energy & Industrial Strategy and The Rt Hon Greg Clark MP, [‘Audit regime in the UK to be transformed with new regulator’](#), published 11 March 2019, accessed September 2023

83. ARGA was the Government's first choice to become local audit system leader.⁹⁰ This is despite the fact that both the Kingman Review and the Redmond Review, having considered the possibility of giving ARGA responsibility over local audit in addition to wider audit regulation, concluded that local audit should instead be overseen by a separate body that could have "detailed expertise and a clear focus on that sector".⁹¹ The Government then held an open consultation on its decision.⁹²

84. During our inquiry, however, some stakeholders questioned the Government's decision to combine the local audit system leader with ARGA as the regulator of the wider audit profession.⁹³ Other stakeholders also said that recent regulatory choices made by FRC, which will become ARGA, have not been appropriate for the local audit sector.⁹⁴ However, stakeholders including Gareth Davies (the Comptroller & Auditor General), and Neil Harris and Sarah Rapson of the FRC, told us that the audit regulator was an appropriate body to become local audit system leader, and that steps had been taken to ensure that the organisation's roles as local audit system leader and audit regulator are kept separate.⁹⁵

85. When we asked Minister Rowley about ARGA having separate roles as both audit regulator and local audit system leader, he told us: "Ultimately it is a balance, but we think that putting those into a broader, audit-focused authority is sensible. There is not a proposal to change that at this current time."⁹⁶ He also added: "We think it is possible to do both and to still have very high-quality oversight of public sector audit."⁹⁷

Departmental co-ordination and legislative delays

86. Although the Department for Levelling Up, Housing and Communities will be responsible for ARGA's work with respect to local audit, the departmental sponsor of ARGA will be the Department for Business and Trade (DBT), which inherited the Ministerial responsibility for corporate governance and corporate responsibility from the Department for Business, Energy and Industrial Strategy (BEIS).⁹⁸ Respondents to the Government's consultation on the establishment of ARGA insisted that both departments "should work together closely to ensure the needs of local audit are taken into account fully."⁹⁹ In its response, the Government said that this was happening, with BEIS being a member of the Local Audit Liaison Committee.¹⁰⁰

90 Ministry of Housing, Communities & Local Government, '[Local authority financial reporting and external audit: Spring update](#)', published 19 May 2021, accessed 17 August 2023, para 31–35

91 Sir Tony Redmond, [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) (September 2020), para 2.3.25–2.3.28, pp 15–16; Sir John Kingman, [Independent Review of the Financial Reporting Council \(FRC\)](#) (December 2018), p 15

92 Department for Levelling Up, Housing and Communities, '[Government response to local audit framework: technical consultation outcome](#)', updated 31 May 2022, accessed September 2023

93 Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 9; Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 4.6

94 [Q132](#) [Lynn Pamment]; [Q133](#) [Rob Whiteman]; [Q173](#) [Michael Hudson]

95 [Qq19–21](#) [Sarah Rapson, Neil Harris]

96 [Q240](#) [Lee Rowley MP]

97 [Q242](#) [Lee Rowley MP]

98 [Q234](#) [Lee Rowley MP]; Ministry of Housing, Communities & Local Government, [Local authority financial reporting and external audit: Spring update](#) (May 2021), diagram below para 45

99 Department for Business, Energy & Industrial Strategy, [Restoring trust in audit and corporate governance: government response to consultation on strengthening the UK's audit, corporate reporting and corporate governance systems](#) (May 2022), para 11.5.4

100 *Ibid.*, para 11.5.8

87. Primary legislation will need to be passed for ARGA to be established. Sarah Rapson of FRC told us that this is “really important” because it will give the organisation the statutory underpinning it needs to be an effective system leader.¹⁰¹

88. Although Government representatives have said since (at least) February 2020 that they would bring forward legislation “as soon as parliamentary time allows”,¹⁰² there have been no firm commitments from the Government as to when this will happen. Even FRC, the organisation that will transition to become ARGA, does not know the timeline for its own transition. In FRC’s most recent 3-Year Plan from March 2023, it has pushed back its planning assumption by a year and acknowledges ongoing uncertainty around the timing of legislation.¹⁰³ Professor David Heald said that “the Government is not providing parliamentary time for the legislation to abolish the Financial Reporting Council (FRC) and transform it into the ARGA. There is no sense of urgency”.¹⁰⁴ Legislation to establish ARGA was not included in November’s King’s Speech.¹⁰⁵ The Financial Times reported that this was because it “is not a political priority”.¹⁰⁶

89. The legislation to establish ARGA will be developed primarily by DBT.¹⁰⁷ Minister Rowley could not tell us when legislation to establish ARGA would be tabled, primarily because it is being led out of DBT. He said: “ARGA will come at the point when parliamentary time allows and so on.” Minister Rowley also could not tell us what influence the Department for Levelling Up, Housing and Communities would have over the construction of the legislation, except that it “would certainly have a substantial and significant role.” The Director of Local Government Policy told us that there were regular discussions at official level between the two departments, including at the local audit Liaison Committee.¹⁰⁸

90. The Redmond and Kingman Reviews stated that a local audit system leader should be a new standalone organisation, but the Government has decided to combine it with the separate audit regulator which is currently the Financial Reporting Council (FRC) but will eventually be the Audit Reporting and Governance Authority (ARGA).

91. The establishment of the local audit system leader will require primary legislation. The legislation required to establish ARGA has been significantly delayed and there appears to be little or no forward momentum or urgency in the Government to introduce it. Moreover, the Department for Levelling Up, Housing and Communities, which will be responsible for the local audit system leader, informed us that only the Department for Business and Trade, as ARGA’s sponsor department, can move forward with this legislation. It is fundamentally unclear how the Government’s departments are being coordinated to establish ARGA in a timely fashion. The Government must make it a priority to establish the local audit system leader, in a different form if necessary.

101 [Q8](#) [Sarah Rapson]; Oral evidence to the Committee of Public Accounts’ inquiry [Timeliness of local auditor reporting](#), June 2023 (HC 995): [Q39](#) [Neil Harris]

102 “Plans for ARGA audit regulator due by end March”, Accountancy Daily, 6 February 2020

103 Financial Reporting Council, [3-Year Plan: 2023–26](#) (March 2023), ‘2. Transitioning from the FRC to ARGA’

104 Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 9

105 Prime Minister’s Office, 10 Downing Street and His Majesty The King, [The King’s Speech 2023](#), 7 November 2023

106 “UK government set to omit audit reform from legislative plans”, Financial Times, 31 August 2023

107 Oral evidence to the Committee of Public Accounts’ inquiry [Timeliness of local auditor reporting](#), June 2023 (HC 995): [Q84](#) [Sarah Healey]

108 [Qq233–238](#) [Lee Rowley MP]

92. *The Government must reconsider its plan to combine the local audit system leader with the new audit regulator, ARGA. Specifically, the Government must, in coordination with the FRC, which currently has shadow system leader responsibility, introduce legislation to create a new body to manage, oversee and regulate local audit in line with the recommendations put forward by the Redmond Review. The new body must be sponsored by, and directly accountable to, the Department for Levelling Up, Housing and Communities. The legislation to establish this body should be introduced as soon as possible in the 2023–24 session of Parliament.*

Specific responsibilities of the system leader

93. Once the local audit system leader is established, it will take on the responsibilities over local audit currently held by the Comptroller & Auditor General and National Audit Office (NAO). This includes the development of the Code of Audit Practice, discussed in Chapter 4.¹⁰⁹ We have also been told by ICAEW, CIPFA and KPMG that NAO also operates networks for local government auditors to discuss difficult issues and share best practice. ICAEW believes these functions will also be handed over to the system leader once established.¹¹⁰ Furthermore, we have been told by some stakeholders, including Professor Laurence Ferry, Dr Henry Midgley, and KPMG, that sharing best practice between local auditors should be the responsibility of the local audit system leader.¹¹¹

94. *The Department must ensure that the local audit system leader is the primary point of contact to which local auditors can escalate matters of concern that they find during an audit of a local authority. Additionally, the local audit system leader must be responsible for collecting and considering audit findings across the sector to identify and coordinate responses to systemic or widespread issues that the auditors have found. Furthermore, the Department must clearly set out which body has these responsibilities until the audit system leader is established in legislation.*

109 Department for Levelling Up, Housing and Communities, '[Government response to local audit framework: technical consultation outcome](#)', updated 31 May 2022, accessed September 2023

110 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 80; Chartered Institute of Public Finance and Accountancy ([FRA0021](#)) para 8.5; KPMG LLP ([FRA0019](#))

111 Professor Laurence Ferry, Dr Henry Midgley ([FRA0018](#)) section 5.3; KPMG LLP ([FRA0019](#))

4 Producing local authority accounts

95. In Chapter 2, we discussed how accounts are not being used to their full potential and are therefore failing to adequately support local democracy and accountability. In this chapter, we now consider options for making accounts more useful so that they can better support local democracy and accountability. These are split into two categories: changes that can be made to the format and contents of the accounts themselves, and changes to the local audit process and its outputs.

Format and contents

96. As we have heard from stakeholders like KPMG and Research for Action, citizens need understandable information so they can hold their local authorities to account.¹¹² Moreover, Rob Whiteman, Chief Executive of the Chartered Institute for Public Finance and Accountancy (CIPFA), told us that, if people do not understand the accounts, they may also believe the accounts to be opaque and untrustworthy.¹¹³

97. In September 2020, Sir Tony Redmond presented his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (the Redmond Review). In this Review, Sir Tony said there was widespread agreement that accounts are not transparent or easily understandable, describing them as “impenetrable to the public”.¹¹⁴ Many stakeholders have echoed Sir Tony’s assessment, often highlighting the length and complexity of local authority accounts. For example, Dr Anthony Fraser called local authority accounts “esoteric” and “virtually impossible to understand” for general users like councillors and residents.¹¹⁵

Statutory overrides

98. We have heard from the Redmond Review and stakeholders such as the audit firm Ernst & Young that local authority accounts are often longer, more complicated, and more challenging to understand than accounts produced by other parts of the public sector.¹¹⁶ Some stakeholders have claimed that this is because local authorities are inherently more complex than other bodies.¹¹⁷ However, Manchester City Council’s evidence to us noted that, although local authorities *are* inherently complex, the accounts are then “made impenetrable” by adjustments to comply with accounting requirements.¹¹⁸

112 Research for Action ([FRA0017](#)) section A.6; KPMG LLP ([FRA0019](#))

113 [Q124](#) [Rob Whiteman]

114 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), Executive Summary and para 7.4.1, pp 4 and 59

115 Dr Anthony Fraser ([FRA0015](#)) sections 2.6 and 2.2; Norfolk County Council ([FRA0003](#)) para 2; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 48; National Youth Agency ([FRA0014](#)); Research for Action ([FRA0017](#)) section A.5; KPMG LLP ([FRA0019](#)); Knowsley Council ([FRA0020](#)); Ernst & Young LLP ([FRA0023](#)); National Audit Office ([FRA0027](#)); [Q4](#) [Neil Harris]

116 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.3.2, p 57; Ernst & Young LLP ([FRA0023](#))

117 Professor David Heald (Emeritus Professor at Adam Smith Business School, University of Glasgow) ([FRA0012](#)) para 3; Chartered Institute for Public Accountancy and Finance ([FRA0021](#)) para 7.1; [Q123](#) [Rob Whiteman]; Richard Harbord, *The role and responsibility of the s151 officer in the external audit crisis*, Room 151, 30 May 2023

118 Manchester City Council ([FRA0025](#)) Section Two

99. The accounting requirements for local authority accounts, which are set out in *The Code of Practice on Local Authority Accounting* (the Accounting Code) as discussed in Chapter 2, are based primarily on International Financial Reporting Standards (IFRS), which are used in the rest of the public sector and much of the private sector. However, local authority accounting requirements differ from ordinary IFRS in several ways to accommodate requirements from UK legislation. These differences are called statutory overrides (because the generally accepted practice has been overridden by statute). Appendix B of the Accounting Code shows how 22 different pieces of primary and secondary legislation for England¹¹⁹—and a similar number also for each of Wales, Scotland, and Northern Ireland—have been adapted into the requirements in the Accounting Code.¹²⁰

100. Many stakeholders have told us that statutory overrides, and the legislative framework they derive from, cause much of the complexity in the accounts.¹²¹ For example, the Institute of Chartered Accountants of Scotland (ICAS) told us:

A key obstacle [to streamlining local authority accounts] is the statutory framework which drives divergence from international standards, increasing specialisation and reducing understandability. [...] This connection pre-dates the implementation of IFRS and is an anachronism.¹²²

And Conrad Hall, Chair of the CIPFA/LASAAC Local Authority Code Board (which adapts accounting and legislative guidance into the Accounting Code), told us:

Many of the complexities in the accounts derive from the Government legislating to override the ordinary accounting practice and that is not always, in my view, the most helpful approach.¹²³

101. Statutory overrides mean that local authorities must include additional disclosures in the accounts that are not required by IFRS, must classify transactions and balances in different ways than required by IFRS, and in some areas must account for the same expenditure in multiple different ways in the same set of accounts.¹²⁴

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- 119 These are: Local Government Act 1972; Superannuation Act 1972; Local Government Finance Act 1988; Local Government and Housing Act 1989; Local Government Finance Act 1992; School Standards and Framework Act 1998; Transport Act 2000; Education Act 2002; Local Government Act 2003; Waste and Emissions Trading Act 2003; National Health Service Act 2006; Planning Act 2008; Business Rate Supplements Act 2009; The Local Audit and Accountability Act 2014; The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146); The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007 (SI 2007/573); The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414); The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 (SI 2010/454); The Local Authorities (Capital Finance and Accounting) (England) Regulations 2012 (SI 2012/265); The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2013 (SI 2013/476); The Accounts and Audit Regulations 2015 (SI 2015/234); The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2018 (SI 2018/1207)
- 120 Chartered Institute of Public Finance and Accountancy, *Code of practice on local authority accounting in the United Kingdom 2022/23*, August 2022, Appendix B, pp 299–312
- 121 Local Government Association ([FRA0005](#)) para 19; Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 59–62; Ernst & Young LLP ([FRA0023](#)); Manchester City Council ([FRA0025](#)); National Audit Office ([FRA0027](#))
- 122 Institute of Chartered Accountants of Scotland ([FRA0029](#))
- 123 [Q126](#) [Conrad Hall]
- 124 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.3.4, p 58

102. We have been told by the Redmond Review and various stakeholders that the most significant way that statutory overrides make accounts more complicated is their requiring local authority accounts to report not only on an accounting basis, but also on a funding (or budget) basis for the purposes of council tax.¹²⁵

103. However, the primary intention of the local government legislation leading to these statutory overrides was to place restrictions on local authorities regarding their spending, borrowing and use of resources, particularly around capital financing. The need for local authority accounts to report on both a funding basis and an accounting basis, and impacts on local authority accounts more generally, were only a secondary effect of the legislation, and only after the introduction of IFRS. As KPMG said: “Many of these statutory adjustments are a direct consequence of the capital financing regime which applies to local government, and this could be simplified by amending the relevant statutes.”¹²⁶

104. CIPFA has told us that the removal of statutory overrides “would give rise to substantial affordability issues for local government bodies’ council tax setting processes”.¹²⁷ This suggests that work done specifically to prepare local authority accounts is used to establish the council tax baseline, but the same work to establish the council tax baseline could be done separately of the accounts as part of a different process. Furthermore, it is not clear why disclosures in the accounts should have either a direct or indirect impact on setting council tax. Not a single stakeholder, witness or piece of written evidence expressed to our inquiry that one of the purposes of the accounts was to provide a baseline for the council tax calculation, and we have not considered council tax setting to be one of the main purposes of the accounts in Chapter 2.

105. The reason that accounts are used to calculate council tax is because of the wording in relevant statutes that have then been adapted into the requirements for local authority accounting. The *Local Government Finance Act 1992* sets out the calculations necessary for council tax by authorities in England, which refer to “a revenue account” and to the authority’s “general fund”.¹²⁸ These terms have specific meanings in accounting, and as such it is the general fund (a type of revenue account) as it appears in a local authority’s accounts, as well as transactions posted to it, that is now generally used in the calculations of council tax. ICAS have also pointed to section 93 of this Act as the “root cause” of many of the accounting specialisms in local authority accounts, describing it as a reason that the accounts contain both the IFRS-compliant numbers and the carried-forward balance of reserves that is required under statute to be included in the council tax calculation.¹²⁹

106. This statutory connection between council tax calculations and revenue accounts would not affect local authority accounts if the Government intended for council tax to be derived from the accounting basis of a revenue account as defined by IFRS, but that is not the case. The Government has frequently changed what is chargeable to council tax by adjusting what is chargeable to a revenue account in the legislation, which it can do because the *Local Government Act 2003* allows the Secretary of State to regulate or advise

125 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.3.2, p 57; Chartered Institute of Public Finance and Accountancy (FRA0021) para 1.12; Ernst & Young LLP (FRA0023); Institute of Chartered Accountants of Scotland (FRA0029)

126 KPMG LLP (FRA0019); Chartered Institute of Public Finance and Accountancy (FRA0021) para 1.12

127 Chartered Institute of Public Finance and Accountancy (FRA0021) para 1.13

128 Local Government Finance Act 1992, [section 31A](#)

129 Institute of Chartered Accountants of Scotland (FRA0029) Annex A

local authorities as to what can be charged to “a revenue account”.¹³⁰ Local authorities are also required to distinguish between capital and revenue finance in their accounting,¹³¹ and *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003* (as amended by subsequent secondary legislation/regulations) says both what is and what is not a capital receipt, and specifies what they can be used for. For example, these regulations specify that capital receipts cannot be used to pay off a liability that must be charged to a revenue account.¹³² Many amendments have been made over the years, such as one in 2020 that adds information about schools’ budget deficits.¹³³

107. Many stakeholders have said that statutory overrides should be reduced or removed. For example, Rob Whiteman, Chief Executive of CIPFA, said: “I would like to see us move to have some of the overrides removed over time if funding were available.” Iain Wright, the Managing Director for Reputation and Influence at ICAEW, said: “You have to try to reduce those statutory overrides as much as possible.”¹³⁴

108. Lee Rowley MP, the then-Parliamentary Under-Secretary of State with responsibility for Local Government, acknowledged that it was preferable not to have statutory overrides. He said: “Ideally, we would not have statutory overrides. We are not encouraged to have them. We try to minimise them.”¹³⁵ Siobhan Jones, the Director of Local Government Policy at the Department for Levelling Up, Housing and Communities, agreed but added that some statutory overrides can be useful by reducing the complexity of accounts and alleviating pressure on finance teams.¹³⁶ The Minister said that new statutory overrides are carefully considered before being introduced, but he did not indicate an ongoing effort to consider existing statutory overrides to ensure they are still relevant.¹³⁷ However, a retrospective review of existing statutory overrides could be particularly useful in light of evidence we quoted from ICAS earlier in this section, saying that the disclosures of the funding basis in local authority accounts is an anachronism that predates the introduction of IFRS.¹³⁸

109. Statutory overrides, namely requirements introduced by legislation that override standard accounting practice, are not aligned with the intended purposes of local authority accounts. Some statutory overrides can be beneficial by reducing the complexity of the accounts, but many add new requirements to the disclosures in the accounts. Additional requirements in the accounts added by statutory overrides do not contribute to the value or usefulness of those accounts, but they make the accounts more complex, less understandable, and thus less useful for supporting local democracy and accountability.

110. *The Department for Levelling Up, Housing and Communities must immediately initiate a review into existing legislation that places requirements on the contents and format of local authority accounts. The review should refer to the intended purposes*

130 Local Government Act 2003, [section 21](#)

131 *Local government in England: capital finance*, Research Briefing [SN05797](#), House of Commons Library, 4 January 2023, Summary, p 4

132 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, [Part 4](#)

133 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, [regulation 2](#)

134 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 44 and 69; KPMG LLP ([FRA0019](#)); Institute of Chartered Accountants of Scotland ([FRA0029](#)); [Q124](#) [Rob Whiteman]; [Q125](#) [Iain Wright]

135 [Q251](#) [Lee Rowley MP]

136 [Q252](#) [Siobhan Jones]

137 [Q252](#) [Lee Rowley MP]

138 Institute of Chartered Accountants of Scotland ([FRA0029](#))

and users of the accounts (as we have set out earlier) and determine what legislation is needed to produce accounts to meet those purposes. The Government must then introduce legislation to amend existing legislation to meet that objective.

111. *The Department should coordinate with the Chartered Institute of Public Finance and Accountancy and the CIPFA/LASAAC Local Authority Code Board to ensure that the Accounting Code does not interpret existing legislation as placing requirements on local authority accounts disclosures that are neither mandated nor intended by the existing legislation.*

Standardised statement of service information and costs

112. The Redmond Review made recommendations relating to the transparency of financial reporting, largely involving the creation of a standardised statement of service information and costs to be presented alongside the statutory accounts.¹³⁹

113. Such a standardised statement would be more understandable than the current format of the accounts and provide taxpayers with the information that is most relevant to them. Presentation of the standardised statement alongside the accounts could also allow the accounts themselves to be simplified—and thus made more understandable—by removing disclosures no longer considered necessary.¹⁴⁰ The Government accepted all parts of this recommendation and said that it was working with CIPFA to deliver on it,¹⁴¹ but later it delayed implementation until audit timeliness issues are resolved (as discussed in Chapter 3).¹⁴²

114. Several stakeholders have told us that they want such a standardised statement to be introduced (although not all have explicitly cited Redmond as the inspiration). Alison Scott, the Shared Director of Finance for Three Rivers District Council and Watford Borough Council, told us: “If I was looking at my ideal world in local government accountability, we would have something like the Redmond statement that gave taxpayers what they needed.”¹⁴³

115. In his oral evidence, Minister Rowley said that that the Department intends to come back to the introduction of Redmond’s standardised statement after having fixed immediate issues relating to the audit backlog, which is a bigger priority.¹⁴⁴

116. The Government previously accepted the Redmond Review’s recommendations to introduce a standardised statement of service information and costs for local authority accounts. Implementing these recommendations would constitute an important step to improving the clarity and content of local authority accounts. However, the Government has delayed implementation of the new statement until the audit backlog

139 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), pp 6–7 and 63

140 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), pp 6–7 and 63

141 Ministry of Housing, Communities & Local Government, ‘[Local authority financial reporting and external audit: Spring update](#)’, published 19 May 2021, accessed August 2023, para 74 and Annex A

142 Department for Levelling Up, Housing and Communities, ‘[Measures to improve local audit delays](#)’, published 16 December 2021, accessed August 2023, Section 3

143 [Q153](#) [Alison Scott]; Dr Anthony Fraser ([FRA0015](#)) section 3.4; Steve Harrison (Head of Financial Planning and Management, Finance and Commercialisation at Southampton City Council) ([FRA0022](#)); KPMG LLP ([FRA0019](#))

144 [Qq245–247](#) [Lee Rowley MP]

is cleared. While we appreciate the Government’s decision to focus on addressing the backlog, it remains important in the longer term to make these necessary improvements to the local authority accounts themselves. We are concerned that the delays with the implementation of the Redmond Review’s recommendations will continue unless the Government takes immediate action.

117. *The Department, in consultation with the Chartered Institute of Public Finance and Accountancy, must resume the introduction of a standardised statement of service information and costs for local authority accounts as soon as actions to address the audit backlog have been implemented. We expect a standardised statement could be introduced for financial years starting in 2024. At the same time, it must ensure that local authority accounts disclosures outside this statement are streamlined by removing requirements that are now covered by the new statement.*

Pension statements

118. As explained in the Redmond Review, local authorities who are also administering authorities for local authority pension funds are required to publish full Pension Fund accounts, with valuations, in the same document as their local authority accounts.¹⁴⁵ Pension Funds are audited as a separate audit engagement. This adds information to the accounts that is not relevant to most users, reduces understandability by increasing the length of the accounts, and can cause delays because the accounts cannot be published until both audit engagements are complete. The Redmond Review stated that the local authority sector has asked the Department to consider decoupling the local authority and pension fund accounts, but this can only be done through primary legislation.¹⁴⁶

119. We have heard from several stakeholders that the Pension Fund accounts and the pension valuations have little or no impact on decision-making or council activity, but despite this they are disproportionately costly and time-consuming to prepare and audit, contributing to the delays discussed in Chapter 3.¹⁴⁷ ICAEW has suggested to us that legislators could “usefully decouple the requirement to staple the separate accounts of pension schemes to local authority accounts”.¹⁴⁸ Iain Wright said: “There is often no need for them to be together. By decoupling them, you can save time and make the accounts easier to understand.”¹⁴⁹

120. **Local authority accounts are currently required by legislation to include Pension Fund statements, but this has made the accounts longer, more complicated, and less useful to users. The Government should introduce legislation to decouple local authority accounts from these Pension Fund statements, which should be published as separate documents.**

145 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.3.6, p 59

146 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.3.6, p 59

147 Local Government Association ([FRA0005](#)) para 5(i); KPMG LLP ([FRA0019](#)); Knowsley Council ([FRA0020](#)); Horsham District Council Audit Committee Chair ([FRA0010](#)); Manchester City Council ([FRA0025](#))

148 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 44

149 [Q125](#) [Iain Wright]

Local auditors and opinions

121. An audit certificate demonstrates the reliability and objectivity of the accounts under audit. Indeed, even while criticising the transparency and understandability of the accounts, the Redmond Review noted that the rigour underpinning the audit, and thus the reliability of the audited accounts, was not at issue.¹⁵⁰ Sir Tony Redmond, author of the Redmond Review, reiterated this point in his oral evidence to us, saying “the accounts are correctly representing the activity of that particular financial year.”¹⁵¹ The Minister said that local audits, when properly done, are broadly doing the job they are intended to do.¹⁵² However, as we will see in the next sections, stakeholders do want improvements in the audit process.

Value-for-money assessments

122. Local authority auditors follow the *Code of Audit Practice*, which is developed and published by the National Audit Office (NAO). Auditors are required, by both statute and the Code, to issue an opinion on whether the audited body has made proper arrangements for securing value for money. However, they are explicitly not required to issue an opinion on whether the audited body has *achieved* value for money during the reporting period.¹⁵³ The Redmond Review reported that 74% of the local authority respondents to its Call for Views thought the format of the value-for-money audit opinion did not provide useful information.¹⁵⁴ The most recent edition of the Code, from 2020, also requires auditors to report on the work they have undertaken to establish the arrangements in place, including around governance and financial sustainability.¹⁵⁵

123. Many stakeholders told us there should be a conclusion over achievement of value for money as well as arrangements to secure value for money. For example, the academic Dr Henry Midgley said “I think the real issue [...] is the absence of value-for-money auditing. That is a real gap in the English system at the moment in the democratic accountability of the authorities”.¹⁵⁶ Furthermore, the civil society organisation People’s Audit said: “It is not adequate to say that a council has measures in place to achieve value for money when those measures are either being routinely ignored or do not work.”¹⁵⁷

124. The audit firm Ernst & Young went even further by suggesting that commentary on value for money should not only be the responsibility of the auditor, but that the authority itself should have a responsibility to document and describe the adequacy of its own value-for-money framework in their own accounts.¹⁵⁸

150 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), para 7.4.7, p 60

151 Q5 [Sir Tony Redmond]

152 Q213 [Lee Rowley MP]

153 National Audit Office, *Code of Audit Practice*, April 2020, para 3.5–3.6, p 16; *Local audit in England*, Research Briefing [CBP-7240](#), House of Commons Library, 4 January 2023, section 2.3, p 18

154 Sir Tony Redmond, *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* (September 2020), section 4.5, pp 36–38

155 National Audit Office, *Code of Audit Practice*, April 2020, para 3.10, p 17; *Local audit in England*, Research Briefing [CBP-7240](#), House of Commons Library, 4 January 2023, section 2.3, p 19

156 Q76 [Dr Midgley]; Q68 [Professor Heald]; Q76 [Ed Hammond]; Q153 [Alison Scott]; Galileo Associates (Thorpe) ([FRA0013](#)) para 3–4; People’s Audit ([FRA0007](#))

157 People’s Audit ([FRA0007](#))

158 Ernst & Young LLP ([FRA0023](#))

125. When asked about these concerns, Mike Newbury, NAO’s Director for the Code of Audit Practice, told us: “The quality of the commentary that auditors should produce [since 2020] should materially help both local public bodies themselves and the communities and the people they serve to get a much better understanding of what is going on.”¹⁵⁹

126. Some stakeholders have also pointed out that value-for-money assessments must not stray into assessments of an authority’s policy. Gareth Davies, the Comptroller & Auditor General, told us “The auditor is not there to comment on the perfectly legitimate political agenda of an elected administration.”¹⁶⁰ However, as we were told by Dr Henry Midgley, value-for-money assessments can be done without policy judgements intruding.¹⁶¹ For example, the NAO assesses the value for money of central government departments through its value-for-money reports without commenting on departmental policy. It only considers how resources have been used in the context of achieving specific intended outcomes (that is, in delivering policy, not deciding policy).¹⁶² One difference between the NAO’s approach and the approach of auditors in the local government sector is that most NAO reports are on the value for money of specific policies and programmes, not on the value for money of whole organisations.

127. Minister Rowley told us that the decision on whether value-for-money opinions should be limited to the arrangements in place was a “nuanced and balanced judgement”, and that he felt an assessment of arrangements was reasonable because it revealed that “an auditor has a decent level of confidence that value for money is being considered in the processes”. He also said that it was then for councillors, officials, and officers to decide how they will use that information.¹⁶³

128. Local auditors are good at establishing the credibility of the accounts under audit. However, while recent changes to the Audit Code have made improvements to the commentary around value for money, many stakeholders want an opinion from the auditors over whether their local authority has achieved value for money for its services.

129. The Department should work with the organisation that prepares the Audit Code (currently the National Audit Office, eventually the system leader) to ensure that local auditors’ opinions over value for money include an actual assessment of value for money achieved, not merely whether appropriate arrangements exist. Such assessments of value for money achieved should cover specific services, projects or programmes, not necessarily to the activity of the entire local authority. These services, projects or programmes would be determined by, for example, local councillors or the auditors. This would allow a greater focus on areas of risk and provide actual assurance over the performance of the authority in key areas.

130. We received some limited evidence suggesting to us that the assessment of value for money could be separated from the financial audit. Dr Anthony Fraser claimed that this would have the benefit that the two opinions could be produced and published on different schedules (meaning that value for money opinions would no longer need to be delayed because of issues on the financial audit, and vice versa), and perhaps by different

159 [Q117](#) [Mike Newbury]

160 [Q119](#) [Gareth Davies]

161 [Q92](#) [Dr Midgley]

162 National Audit Office, ‘[About us](#)’, accessed September 2023

163 [Qq276–277](#) [Lee Rowley MP]

auditors (which could have benefits for sector resourcing in the long term).¹⁶⁴

131. *The Department should work with the organisation that prepares the Audit Code (currently the National Audit Office, eventually the system leader) to assess the potential benefits (for example, to timescales and resourcing) of decoupling value for money work from financial audit work, and report the findings of the assessment to us for further consideration before the end of this Parliament.*

Early warnings

132. As mentioned in Chapter 2, stakeholders have told us that local authority audits should be able to function as an early warning system for their authorities, and bring to attention issues before they cause significant financial difficulties. As we were told by Research for Action: “Local authority audits should be able to identify issues before they become significant.”¹⁶⁵

133. Sir Tony Redmond and Professor David Heald, as well as Manchester City Council, told us that, while the early warning function used to be provided by the Audit Commission, no organisation is currently providing it.¹⁶⁶ We have even heard, from Dr Anthony Fraser, that “the current system positively ignores warnings”.¹⁶⁷ Neil Harris, the Director of Local Audit at FRC, also said: “we need to encourage more early warnings.”¹⁶⁸

134. There are two main ways that the auditor of a local authority can raise an early warning flag before the completion of an audit: one is to issue a Public Interest Report (PIR);¹⁶⁹ and the other is to raise a matter through formal or informal dialogue with the managers of the local authority. Some witnesses told us that dialogue and continuous engagement between auditors and finance teams is currently lacking. For example, Sir Tony Redmond said:

That dialogue is so important. Before you get to the formality of issuing Public Interest Reports, there is an opportunity here to identify the problem and stop it at source rather than allow it to get worse.¹⁷⁰

135. *The Department should work with the organisation that prepares the Audit Code (which is currently the National Audit Office but will be the system leader) to introduce new guidance for the auditors of local authorities in order to encourage them to make more proactive use of their existing powers to flag potential issues earlier in the audit process, both to managers internal to the authority and publicly by issuing Public Interest Reports. The Department should assess the effect of the guidance 12 months after it has been introduced and share that assessment with us.*

164 Dr Anthony Fraser ([FRA0028](#)) para 3

165 Research for Action ([FRA0017](#)) section D.1; [Q2](#) [Sarah Rapson]

166 [Q26](#) [Sir Tony Redmond]; [Q67](#) [Professor Heald]; Manchester City Council ([FRA0025](#))

167 Dr Anthony Fraser ([FRA0015](#)) section 4.2

168 [Q29](#) [Neil Harris]

169 Institute of Chartered Accountants in England and Wales ([FRA0006](#)) para 14

170 [Q6](#) [Sir Tony Redmond]; [Q24](#) [Neil Harris]; [Qq154–155](#) [Alison Scott, Gerald Almeroth, Michael Hudson]

Conclusions and recommendations

Primary issues with local authority accounts and audit

1. The publication of local authority accounts and local authority audit have a vital role to play in supporting local democracy and accountability. However, their capability to fulfil this vital role is limited because stakeholders who might want to use the information in the accounts encounter significant challenges in finding and understanding the information they need. As a result, many stakeholders do not use the accounts at all. Local authority accounts and audit are therefore not adequately fulfilling their role in supporting local democracy and accountability. (Paragraph 21)
2. There is currently no shared view of the purposes of local authority accounts and who should be using them. This has made it difficult to decide what the format and contents of the accounts, and their accompanying audit outputs, should be so that accounts fulfil their role in supporting local democracy and accountability. (Paragraph 26)
3. We believe that the first purpose of local authority accounts is:

To provide a credible public financial record that can be relied upon, and which can be used as a point of comparison for other financial information to assess its credibility and accuracy. (Paragraph 30)
4. We believe that the second purpose of local authority accounts is:

To enable council taxpayers, businesses, central government, and other sources of funding to understand what money the local authority has received (including council tax, government grants and borrowing) and how the authority has used its resources, so they can hold the authority to account for its spending decisions. (Paragraph 34)
5. We believe that the third purpose of local authority accounts is:

To enable residents, service users, and councillors to understand the value for money offered by the authority's spending, so that they can scrutinise the economy, efficiency, effectiveness, and equity of services or programmes. (Paragraph 39)
6. We believe that the fourth purpose of local authority accounts is:

To enable councillors and officers inside the authority to understand the financial activity, financial position, financial sustainability, and resilience of the authority, so that they can make informed decisions and run that authority efficiently and effectively. (Paragraph 42)

7. We believe that the fifth purpose of local authority accounts is:
- To enable the public, oversight bodies and central government to understand the financial situation and any actual or potential financial issues affecting the authority, so that they can make informed decisions about what actions to take. (Paragraph 45)
8. *The Government must ensure that the purposes of local authority accounts are clearly set out in government policy and accessible to all relevant stakeholders. This should be done before the next accounts production cycle for the year ended 31 March 2024. (Paragraph 47)*
9. *The Government must also coordinate with key stakeholders in the sector, including the Chartered Institute for Public Finance and Accountancy and the local audit system leader, to ensure that the production, content and format of local authority accounts are aligned with the agreed purposes of local authority accounts; and it must report back to us at least annually on its progress in this area. (Paragraph 48)*
10. The Code of Practice on Local Authority Accounting (the Accounting Code) is a statutorily recommended guidance document for preparing and understanding local authority accounts, but it is too expensive to be accessed by all possible users of the accounts. If made accessible, it could also serve to keep the agreed purposes of the accounts visible to the whole sector. (Paragraph 56)
11. *Through coordination with the Chartered Institute of Public Finance and Accountancy, the Department for Levelling Up, Housing and Communities must make the Accounting Code freely available to all possible users of local authority accounts before the next accounts production cycle for the year ended 31 March 2024. Once this has been achieved, the Department should set out its assessment of what else it can do to encourage the use of the Accounting Code as a central, authoritative, and accessible document that meets the needs of all possible users of local authority accounts. (Paragraph 57)*
12. Within the broader rationale for the local authority accounting and audit systems, the purposes of local audit specifically are:
- to establish the credibility of the local authority accounts, so that they can fulfil their purposes in supporting local accountability; and
 - to supplement the local authority accounts with relevant information and conclusions that are needed to fulfil the purposes of the audited accounts, but that are not part of the disclosures in the accounts. (Paragraph 60)

The current audit crisis

13. The local audit system is currently in an unacceptable crisis which requires significant and urgent attention. The most significant symptom of the crisis is an extensive backlog of incomplete audits and unaudited accounts, some of them many years out of date. This has led to a deleterious cycle in which delays create further delays, and which can only be resolved by a potentially painful reset to the whole system. (Paragraph 69)

14. The Department has proposed a series of actions to clear the audit backlog, which include resetting the system through a limited series of statutory deadlines for the delivery of outstanding audits from previous financial years. These proposals represent a necessary first step towards overcoming the audit crisis. However, more work is needed to implement them and to resolve the issues in the local audit system to achieve meaningful and much needed change in the sector. (Paragraph 73)
15. *The Department must move quickly to clear the audit backlog and implement its proposed actions by the end of the calendar year 2023. Until the actions have been fully implemented, the Department should provide us with updates on its progress every four months. In addition, the Department should ensure that, when auditors qualify or disclaim the audit opinions on delayed audits, the accompanying commentary should be clear whether the local authorities are at fault and whether the audit has given any indication of financial failings or distress at those authorities.* (Paragraph 74)
16. We welcome the commitment of the then-Parliamentary Under-Secretary of State for Local Government and Building Safety to address the causes of delays in the local audit system. While the lack of an annual statutory deadline is not itself a cause of delays, the lack of any consequences for local authorities and auditors for delayed delivery may have contributed to the current backlog of delayed audits. Annual deadlines with suitable consequences for failure to deliver might have prevented the accumulation of the backlog and the destructive cycle of delay that has led to this current crisis. (Paragraph 79)
17. *The Department must introduce backstop dates for publishing audited local authority accounts on an annual basis going forwards. The Department must also ensure that, if an authority and its auditors do not collectively produce audited accounts by the backstop date in a given year, then the Section 151 Officer of the authority (and other responsible individuals such as the auditor's Key Audit Partner) must immediately write to the Secretary of State for Levelling Up, Housing and Communities, to us, and to the authority's council to explain why the audit could not be completed. The relevant recipients of the correspondence from the Section 151 Officer should then pursue any follow-up action as is necessary. The introduction of these backstop dates should be done alongside the Department's implementation of its statement of proposals to clear the backlog, with a suitable annual backstop date chosen by the end of the calendar year.* (Paragraph 80)
18. The Redmond and Kingman Reviews stated that a local audit system leader should be a new standalone organisation, but the Government has decided to combine it with the separate audit regulator which is currently the Financial Reporting Council (FRC) but will eventually be the Audit Reporting and Governance Authority (ARGA). (Paragraph 90)
19. The establishment of the local audit system leader will require primary legislation. The legislation required to establish ARGA has been significantly delayed and there appears to be little or no forward momentum or urgency in the Government to introduce it. Moreover, the Department for Levelling Up, Housing and Communities, which will be responsible for the local audit system leader, informed us that only the Department for Business and Trade, as ARGA's sponsor department, can move forward with this legislation. It is fundamentally unclear how the Government's

departments are being coordinated to establish ARGA in a timely fashion. The Government must make it a priority to establish the local audit system leader, in a different form if necessary. (Paragraph 91)

20. *The Government must reconsider its plan to combine the local audit system leader with the new audit regulator, ARGA. Specifically, the Government must, in coordination with the FRC, which currently has shadow system leader responsibility, introduce legislation to create a new body to manage, oversee and regulate local audit in line with the recommendations put forward by the Redmond Review. The new body must be sponsored by, and directly accountable to, the Department for Levelling Up, Housing and Communities. The legislation to establish this body should be introduced as soon as possible in the 2023–24 session of Parliament. (Paragraph 92)*
21. *The Department must ensure that the local audit system leader is the primary point of contact to which local auditors can escalate matters of concern that they find during an audit of a local authority. Additionally, the local audit system leader must be responsible for collecting and considering audit findings across the sector to identify and coordinate responses to systemic or widespread issues that the auditors have found. Furthermore, the Department must clearly set out which body has these responsibilities until the audit system leader is established in legislation. (Paragraph 94)*

Producing local authority accounts

22. Statutory overrides, namely requirements introduced by legislation that override standard accounting practice, are not aligned with the intended purposes of local authority accounts. Some statutory overrides can be beneficial by reducing the complexity of the accounts, but many add new requirements to the disclosures in the accounts. Additional requirements in the accounts added by statutory overrides do not contribute to the value or usefulness of those accounts, but they make the accounts more complex, less understandable, and thus less useful for supporting local democracy and accountability. (Paragraph 109)
23. *The Department for Levelling Up, Housing and Communities must immediately initiate a review into existing legislation that places requirements on the contents and format of local authority accounts. The review should refer to the intended purposes and users of the accounts (as we have set out earlier) and determine what legislation is needed to produce accounts to meet those purposes. The Government must then introduce legislation to amend existing legislation to meet that objective. (Paragraph 110)*
24. *The Department should coordinate with the Chartered Institute of Public Finance and Accountancy and the CIPFA/LASAAC Local Authority Code Board to ensure that the Accounting Code does not interpret existing legislation as placing requirements on local authority accounts disclosures that are neither mandated nor intended by the existing legislation. (Paragraph 111)*
25. The Government previously accepted the Redmond Review's recommendations to introduce a standardised statement of service information and costs for local authority accounts. Implementing these recommendations would constitute an important step to improving the clarity and content of local authority accounts.

However, the Government has delayed implementation of the new statement until the audit backlog is cleared. While we appreciate the Government's decision to focus on addressing the backlog, it remains important in the longer term to make these necessary improvements to the local authority accounts themselves. We are concerned that the delays with the implementation of the Redmond Review's recommendations will continue unless the Government takes immediate action. (Paragraph 116)

26. *The Department, in consultation with the Chartered Institute of Public Finance and Accountancy, must resume the introduction of a standardised statement of service information and costs for local authority accounts as soon as actions to address the audit backlog have been implemented. We expect a standardised statement could be introduced for financial years starting in 2024. At the same time, it must ensure that local authority accounts disclosures outside this statement are streamlined by removing requirements that are now covered by the new statement.* (Paragraph 117)
27. Local authority accounts are currently required by legislation to include Pension Fund statements, but this has made the accounts longer, more complicated, and less useful to users. *The Government should introduce legislation to decouple local authority accounts from these Pension Fund statements, which should be published as separate documents.* (Paragraph 120)
28. Local auditors are good at establishing the credibility of the accounts under audit. However, while recent changes to the Audit Code have made improvements to the commentary around value for money, many stakeholders want an opinion from the auditors over whether their local authority has achieved value for money for its services. (Paragraph 128)
29. *The Department should work with the organisation that prepares the Audit Code (currently the National Audit Office, eventually the system leader) to ensure that local auditors' opinions over value for money include an actual assessment of value for money achieved, not merely whether appropriate arrangements exist. Such assessments of value for money achieved should cover specific services, projects or programmes, not necessarily to the activity of the entire local authority. These services, projects or programmes would be determined by, for example, local councillors or the auditors. This would allow a greater focus on areas of risk and provide actual assurance over the performance of the authority in key areas.* (Paragraph 129)
30. *The Department should work with the organisation that prepares the Audit Code (currently the National Audit Office, eventually the system leader) to assess the potential benefits (for example, to timescales and resourcing) of decoupling value for money work from financial audit work, and report the findings of the assessment to us for further consideration before the end of this Parliament.* (Paragraph 131)
31. *The Department should work with the organisation that prepares the Audit Code (which is currently the National Audit Office but will be the system leader) to introduce new guidance for the auditors of local authorities in order to encourage them to make more proactive use of their existing powers to flag potential issues earlier in the audit process, both to managers internal to the authority and publicly by issuing Public Interest Reports. The Department should assess the effect of the guidance 12 months after it has been introduced and share that assessment with us.* (Paragraph 135)

Formal minutes

Monday 15 May 2023

The Chair declared an interest in that he is a Vice President of the Local Government Association.

Kate Hollern declared an interest in that she employs a councillor in her office.

Bob Blackman declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office.

Ben Everitt declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office, in addition to interests declared on his registered members interests.

Sir Tony Redmond, Author of the Redmond Review; Neil Harris, Director of Local Audit, Financial Reporting Council; and Sarah Rapson, Deputy CEO, Executive Director of Supervision, and future Chair of the Liaison Committee, Financial Reporting Council, gave oral evidence.

Ed Hammond, Interim Chief Executive, Centre for Governance and Scrutiny; Dr Henry Midgley, Assistant Professor in Accounting, Durham University; and Professor David Heald, Emeritus Professor in the Adam Smith Business School, University of Glasgow, gave oral evidence.

Monday 5 June 2023

The Chair declared an interest in that he is a Vice President of the Local Government Association.

Kate Hollern declared an interest in that she employs a councillor in her office.

Nadia Whittome declared an interest in that she is a board member of One Nottingham.

Mohammad Yasin declared interests in that he is a member of Bedford Town Deal Board and employs a councillor in his office.

Bob Blackman declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office.

Andrew Lewer declared interests in that he is a Vice President of the Local Government Association and a member of the Northampton Forward Board.

Gareth Davies, Comptroller and Auditor General, National Audit Office; and Mike Newbury, Director, Code of Audit Practice, National Audit Office, gave oral evidence.

Conrad Hall, Chair, Chartered Institute of Public Finance and Accountancy LASAAC Local Authority Code Board; Rob Whiteman, Chief Executive, Chartered Institute of Public Finance and Accountancy; Iain Wright, Managing Director for Reputation and Influence, Institute of Chartered Accountants in England and Wales; and Lynn Pamment, Chair, Financial Reporting Advisory Board, gave oral evidence.

Monday 26 June 2023

The Chair declared an interest in that he is a Vice President of the Local Government Association.

Kate Hollern declared an interest in that she employs a councillor in her office.

Nadia Whittome declared an interest in that she is a board member of One Nottingham.

Bob Blackman declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office.

Andrew Lewer declared an interest in that he is a Vice President of the Local Government Association.

Alison Scott, Shared Director of Finance, Three Rivers District and Watford Borough Council; Michael Hudson, Executive Director of Finance and Resources, Cambridge City Council; and Gerald Almeroth, Executive Director of Finance and Resources, Westminster City Council, gave oral evidence.

Cllr Tudor Evans OBE, Plymouth City Council; Cllr Abi Brown, Stoke-on-Trent City Council; and Cllr Richard Wenham, Central Bedfordshire Council, gave oral evidence.

Monday 17 July 2023

The Chair declared an interest in that he is a Vice President of the Local Government Association.

Kate Hollern declared an interest in that she employs a councillor in her office.

Nadia Whittome declared an interest in that she is a board member of One Nottingham.

Bob Blackman declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office.

Lee Rowley MP, Parliamentary Under Secretary of State for Local Government and Building Safety, Department for Levelling Up, Housing and Communities and Siobhan Jones, Director of Local Government Policy, Department for Levelling Up, Housing and Communities, gave oral evidence.

Monday 20 November 2023

Members present:

Mr Clive Betts, in the Chair

Ian Byrne

Kate Hollern

Andrew Lewer

Draft report (*Financial Reporting and Audit in Local Authorities*) proposed by the Chair, brought up and read.

Ordered, That the report be read a second time, paragraph by paragraph.

Paragraphs 1 to 135 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 27 November at 3.30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 15 May 2023

Sir Tony Redmond, Author of the Redmond Review; **Neil Harris**, Director of Local Audit, Financial Reporting Council; **Sarah Rapson**, Deputy CEO, Executive Director of Supervision, and future Chair of the Liaison Committee, Financial Reporting Council

[Q1–63](#)

Ed Hammond, Deputy Chief Executive, Centre for Governance and Scrutiny; **Dr Henry Midgley**, Assistant Professor in Accounting, Durham University; **Professor David Heald**, Emeritus Professor in the Adam Smith Business School, University of Glasgow

[Q64–96](#)

Monday 5 June 2023

Gareth Davies, Comptroller & Auditor General, National Audit Office; **Mike Newbury**, Director, Code of Audit Practice, National Audit Office

[Q97–121](#)

Conrad Hall, Chair, CIPFA LASAAC Local Authority Code Board; **Rob Whiteman CBE**, Chief Executive, CIPFA; **Iain Wright**, Managing Director for Reputation and Influence, ICAEW; **Lynn Pamment**, Chair, Financial Reporting Advisory Board

[Q122–144](#)

Monday 26 June 2023

Michael Hudson, Executive Director Finance & Resources (Section 151 Officer), Cambridgeshire County Council; **Alison Scott**, Shared Director of Finance (Section 151 Officer), Three Rivers District and Watford Borough Councils; **Gerald Almeroth**, Executive Director Finance & Resources (Section 151 Officer), Westminster City Council

[Q145–187](#)

Councillor Abi Brown, Councillor, Stoke on Trent City Council; **Councillor Tudor Evans**, Leader of the Council, Plymouth City Council; **Councillor Richard Wenham**, Councillor, Central Bedfordshire Council

[Q188–208](#)

Monday 17 July 2023

Lee Rowley MP, Parliamentary Under-Secretary of State (Local Government and Building Safety), Department for Levelling Up, Housing and Communities; **Siobhan Jones**, Director of Local Government Policy, Department for Levelling Up, Housing and Communities

[Q209–285](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

FRA numbers are generated by the evidence processing system and so may not be complete.

- 1 Chartered Institute of Public Finance Accountancy ([FRA0021](#))
- 2 Department for Levelling Up, Housing and Communities ([FRA0024](#))
- 3 Ernst & Young LLP ([FRA0023](#))
- 4 Ferry, Professor Laurence (Professor of Accounting at Durham University Business School and Senior Distinguished Visiting Fellow in Accounting at Rutgers University (USA)); and Midgley, Dr Henry (Assistant Professor of Accounting at Durham University) ([FRA0018](#))
- 5 Fraser, Dr Anthony ([FRA0028](#)) and ([FRA0015](#))
- 6 Galileo Associates (Thorpe) ([FRA0013](#))
- 7 Harrison, Steve (Head of Financial Planning and Management, Finance and Commercialisation, Southampton City Council) ([FRA0022](#))
- 8 Heald, Professor David (Emeritus Professor, Adam Smith Business School, University of Glasgow) ([FRA0012](#))
- 9 Horsham District Council ([FRA0010](#))
- 10 Institute of Chartered Accountants of Scotland ([FRA0029](#))
- 11 Institute of Chartered Accountants in England and Wales ([FRA0006](#))
- 12 KPMG LLP ([FRA0019](#))
- 13 Kitterick, Patrick ([FRA0026](#))
- 14 Knowsley Council ([FRA0020](#))
- 15 Local Government Association ([FRA0005](#))
- 16 Mairey, Mrs Sabine (Academic Mentor, A School in Mitcham) ([FRA0008](#))
- 17 Manchester City Council ([FRA0025](#))
- 18 Morris, W ([FRA0004](#))
- 19 National Audit Office ([FRA0027](#))
- 20 National Youth Agency ([FRA0014](#))
- 21 Norfolk County Council ([FRA0003](#))
- 22 People's Audit ([FRA0007](#))
- 23 Plowden, Mr Luke ([FRA0002](#))
- 24 Public Sector Audit Appointments Ltd ([FRA0016](#))
- 25 Research for Action ([FRA0017](#))
- 26 Steccolini, Professor Ileana (Professor of Accounting, University of Essex); Lino, Dr André (Lecturer, University of Essex); and Dom, Bernard (Lecturer, Nottingham Trent University) ([FRA0009](#))
- 27 XBRL UK Limited ([FRA0011](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2022–23

Number	Title	Reference
1st	The regulation of social housing	HC 18
2nd	Long-term funding of adult social care	HC 19
3rd	Exempt Accommodation	HC 21
4th	Draft Strategy and Policy Statement for the Electoral Commission	HC 672
5th	Reforming the Private Rented Sector	HC 624
6th	Funding for Levelling-Up	HC 744
7th	Reforms to national planning policy	HC 1122
8th	Pre-appointment hearing for the role of Local Government and Social Care Ombudsman and Chair of the Commission for Local Administration in England	HC 1819

Session 2021–22

Number	Title	Reference
1st	The future of the planning system in England	HC 38
2nd	Local authority financial sustainability and the section 114 regime	HC 33
3rd	Permitted Development Rights	HC 32
4th	Progress on devolution in England	HC 36
5th	Local government and the path to net zero	HC 34
6th	Supporting our high streets after COVID-19	HC 37
7th	Building Safety: Remediation and Funding	HC 1063
8th	Appointment of the Chair of the Regulator of Social Housing	HC 1207

Session 2019–21

Number	Title	Reference
1st	Protecting rough sleepers and renters: Interim Report	HC 309
2nd	Cladding: progress of remediation	HC 172
3rd	Building more social housing	HC 173
4th	Appointment of the Chair of Homes England	HC 821

Number	Title	Reference
5th	Pre-legislative scrutiny of the Building Safety Bill	HC 466
6th	Protecting the homeless and the private rented sector: MHCLG's response to Covid-19	HC 1329
7th	Cladding Remediation—Follow-up	HC 1249