

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

14 March 2022

Report title	Measures to improve local audit delays	
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Report to be/has been considered by	None	

Recommendations for noting:

The Audit and Risk Committee is asked to note:

1. Measures published by the *Department for Levelling Up, Housing and Communities*, to improve local audit delays.

1.0 Purpose

1.1 To update the Audit and Risk Committee on measures proposed by the *Department for Levelling Up, Housing and Communities (DLUHC)*, to improve local audit delays.

2.0 Background

2.1 In 2017-2018 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since then, only 45% of 2019-2020 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020-2021 audits completed by the extended deadline of 30 September 2021.

2.2 As the National Audit Office (NAO) outlined in its 2020 report *Timeliness of local auditor reporting on local government in England*, a variety of complex factors are contributing to audit delays, including:

- Audit firms struggling with a net loss of qualified staff
- Increasing workload and regulatory pressure on auditors
- Local authorities diverting staff resources away from completing working papers and preparing accounts

2.3 Considering the complexity of the drivers behind audit delays, DLUHC feels that a whole system response is needed, with local bodies, audit firms, regulatory bodies and code-setters working collectively to implement solutions across the sector.

2.4 The government is continuing to prioritise measures to improve timeliness and support capacity as part of their response to the Redmond Review. Measures already taken are:

- New regulations to provide greater flexibility to ensure that the costs to audit firms of additional work are met more easily
- Additional funding to local bodies for 2021-2022 to support with the implementation of recommendations following the Redmond Review and new audit requirements, including the new value for money reporting arrangements.
- Extension of the statutory deadline for published audited local authority accounts to 31 September (from 31 July), from 2020-2021, for two years.

2.5 On 16 December 2021, DLUHC published a paper, setting out a range of additional measures committed to by government and other key stakeholders, to support improved timeliness and the wider local audit market.

This covering report summarises the key points below, more detail can be found in Appendix 1: a summary of the DLUHC paper published 16 December 2021.

2.6 The measures are divided into the following sections:

- *Section 1: Measures relating to audit firms and timely completion of audit, (in particular the lack of qualified, experienced auditors).*

This covers new initiatives for the training and development of auditors.

- *Section 2: Measures relating to local bodies and quality of accounts preparation.*

CIPFA plan to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Section 2 also proposes further funding of £45 million over the course of the next Spending Review/ to support local bodies as well as grant funding for a number of targeted training events for audit committee chairs.

- *Section 3: Proposed measures relating to accounting and audit requirements*

This section covers altering the timing of elements on the Value for Money work, to enable more focus on fully delivering opinions on the financial statements, improving the presentation of local authority accounts, and considering the valuation of non-investment properties, with a view to identifying where burdens could be reduced without compromising the needs of users.

- *Section 4: Longer-term measures to help stabilise the market and address long-term supply issues*

This section proposes to extend the deadline for publishing audited local authority accounts to 30 November 2022 for 2021-2022 accounts and the 30 September date for 5 years from 2023-2024 – 2027-2028.

We have sought clarity on these dates and now understand the following to be the proposed dates: publishing audited local authority accounts to 30 November 2022 for 2021-2022 accounts and the 30 September date from 2022-2023 – 2027-2028. (Currently the deadline is 30 September for 2021-2022.)

It also proposes, subject to consultation, that the deadline for preparing draft accounts remains as 31 May. (Currently the deadline is on or before 1 August.)

It is believed these measures will help to ensure that audit provides transparency and accountability in local councils.

This covering report summarises the key points, more detail can be found in Appendix A: a summary of the DLUHC paper published 16 December 2021.

3.0 Next steps

- 3.1 DLUHC will continue to work closely with key partners across the audit sector, including local bodies and audit firms, to deliver on the measures above, in addition to outstanding commitments they made in their response to the Redmond Review.
- 3.2 They be publishing their response to the technical consultation they carried out this summer, which will provide further detail on the future of systems leadership for local audit. Their consultation response will also update on the number of the commitments made above.

4.0 Financial Implications

- 4.1 The Statement of Accounts, and the audit of the accounts by the external auditors, is an important element of the accountability and transparency of the Council's finances.

[EB/07032022/P]

5.0 Legal implications

- 5.1 The Secretary of State makes the Accounts and Audit Regulations in exercise of powers conferred by the Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 require the 2020-2021 Statement of Accounts be produced in accordance with proper practice.
- 5.2 This is exemplified by the Code of Practice on Local Authority Accounting which is published by CIPFA. These regulations also require that the accounts are approved and published by 30 September 2021.

[JB/07032022/V]

6.0 Equalities implications

- 6.1 While there are no direct equalities implications arising from the recommendation in this report, the local audit process is a key part of the preparation and sign-off of the Statement of Accounts, and thereby will aid the Council in its ability to meet its equality objectives.

7.0 All other implications

- 7.1 There are no other implications arising from this report.

8.0 Schedule of background papers

- 8.1 There are no relevant preceding reports.

9.0 Appendices

9.1 Appendix 1 – Summary of the DLUHC paper published 16 December 2021