



TIMELINESS OF LOCAL AUDITOR REPORTING

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ICAEW welcomes the opportunity to provide evidence to the House of Commons Public Accounts Committee (PAC) inquiry on the timeliness of local auditor reporting, a copy of which is available from this [link](#).

ICAEW concurs with the Committee's view that greater urgency is required to address delays to the publication of audited local authority financial statements in England. Immediate action is critical because the delays hamper accountability and increase the risk of severe financial issues not being detected.

We believe the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Business and Trade (DBT) and the Financial Reporting Council (FRC) should take immediate action to:

- Deliver the Audit, Reporting and Governance Authority (ARGA) as system leader for local audit
- Equip the system leader with powers over preparers as well as auditors
- Legislate to decouple pension fund accounts from administering authority accounts
- Legislate to require local authority audit committees with independent members
- Implement previously announced measures, including the remaining recommendations of the Redmond Review

In the longer term, a whole-system approach is required to tackle underlying problems in the system of local authority finance and accountability in England, of which the current audit timeliness issues are a symptom.

ICAEW is publishing a vision for how local audit brings confidence to the finances of local public bodies. It identifies a series of challenges to be addressed, and actions we support, in order to:

- Improve financial reporting to enhance transparency and accountability
- Deliver high-quality local audits on a timely basis
- Strengthen financial management and governance
- Reform finances to ensure value for money and protect the public interest
- Build a thriving profession that is highly valued

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports, and regulates more than 165,000 chartered accountant members in over 147 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical, and ethical standards.

This response has been prepared by ICAEW's Public Sector team within the Reputation & Influence Department in consultation with the ICAEW's Public Sector Advisory Group. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 10,500 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants, and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.

For questions on this submission please contact our Public Sector team at representations@icaew.com quoting REP 20/22.

INTRODUCTION

1. ICAEW believes in the critical role that high-quality local audits play in enhancing transparency and accountability, improving the quality of financial reporting, strengthening financial management, delivering value for money, and protecting the public interest.
2. We share the concerns of the PAC about the timeliness of the publication of audited accounts in England, the resilience of the local audit market, and the understandability of local authority accounts. Delays in completing audited financial statements are undermining their usefulness.
3. We submitted evidence to the PAC's 2021 inquiry into the [timeliness of auditor reporting on local government in England](#) and the 2022 inquiry into the [local government finance system](#). In both submissions, we stated that the lack of audit timeliness was symptomatic of wider issues in the local government finance system.
4. We welcome the National Audit Office's (NAO) [progress update on the timeliness of local audit reporting on local government in England](#) and the PAC's continued focus on this important area.
5. The causes and consequences of the delays to the publication of local authority audited accounts in England have been explored in detail including in the two previous inquiries. Therefore, our submission focuses on our suggestions for how the Government can work towards improving the situation.
6. Our submission is split into two sections: the first covers what we believe should be the immediate priorities for the government, while the second looks at our recommendations for longer-term measures to address the underlying issues that contribute towards delays to the publication of audited accounts and wider issues in local government finance.
7. ICAEW is represented on the Local Audit Liaison Committee, has contributed to the various working groups set up by DLUHC, and is working closely with stakeholders to develop solutions. We stand ready to explore what else we can do to support DLUHC, the FRC and other stakeholders in our shared objectives of strengthening the local audit and finance system.

KEY POINTS

8. We believe that immediate action is required to mitigate the delays in local audited financial statements.
 - The issues in the local reporting and audit system have worsened since the PAC inquiry in 2021.
 - Actions to date have not treated the delays to the publication of audited local government accounts in England with the urgency they require.
 - Measures to mitigate the crisis in local reporting and audit in England have been announced but not implemented.
 - Implementation delays and uncertainty over plans have hindered efforts to boost market capacity.
 - Short-termism is storing up longer-term problems for local government.
 - Better co-ordination across Government is required.
9. Whole-system solutions are required to sustainably address the underlying issues in the wider local authority finance and accountability system.
 - Strengthening local authority finance teams.
 - Making local authority financial statements more relevant and understandable.

- Addressing the disconnect in priorities between the different participants in the system.
- Reducing barriers to entry to the local audit market.
- Setting out a vision for local authority financial reporting and audit.

IMMEDIATE PRIORITIES

The issues in the local reporting and audit system have worsened since the PAC inquiry in 2021

10. The PAC's conclusion in its July 2021 report that "without urgent action from government, the audit system for local authorities in England may soon reach breaking point" has proven prescient. This conclusion followed the March 2021 publication of the [NAO report on the timeliness of local auditor reporting in England](#) that found that only 45% of English local authority accounts were published by the 30 November 2020 deadline.
11. Only 9% of 2020/21 English local authority audited accounts were published by the 30 September 2021 deadline. For 2021/22, that figure only increased to 12% despite an extended 30 November 2022 deadline. The government intends for the deadline to return to 30 September next year.
12. [Public Sector Audit Appointment \(PSAA\) data](#) shows that for opted-in-bodies at 31 December 2022, 398 or 85% of audited accounts for the latest financial year ended 31 March 2022 (2021/22) were still outstanding, together with 160 or 34% of audit opinions for 2020/21, 44 or 9% for 2019/20, ten or 2% for 2018/19 and five from earlier years.
13. The timely completion of 2021/22 audits was in part hindered by issues relating to the audit evidence available to support the carrying values of infrastructure assets such as roads and flood defences.
14. We are pleased that a temporary solution has been found but are concerned that the infrastructure assets issues diverted attention from longstanding underlying matters. The issues only came to prominence in March 2022, four months after 91% of 2020/21 local authority audit opinions had not been published by the deadline.
15. The infrastructure assets issues affected the whole of the UK but the severe and pervasive issues with delays to the publication of local government audited accounts appear to be largely confined to England. According to [data published by Audit Scotland](#), 82% of local government body audited accounts were published by the 30 November 2021 deadline and all 2020/21 audit opinions of public bodies were signed off by 6 April 2022.
16. The worsening crisis in English local audit and reporting comes amidst a challenging time for local government finance. Three local authorities have recently obtained permission to raise council tax above the referendum limit because of their precarious financial positions.
17. ICAEW shares the [concerns of the Comptroller and Auditor General](#) that long-delayed audit opinions increase the risk of there being further severe financial management issues in councils that have not yet come to light.

Actions to date have not treated the delays to the publication of audited local government accounts in England with the urgency they require

18. We concur with the PAC in its report on local government finance in February 2022 that there has not been "sufficient urgency" to address "the severe and pressing problems in the local audit market".
19. The NAO report describes "action taken to tackle the challenges in local audit" but we are concerned about the pace of implementation.

20. Key actions that we believe are required as a matter of urgency include:
- a) **Deliver ARGA as system leader for local audit:** More than four years after the conclusion of [Sir John Kingman's independent review of the Financial Reporting Council](#), the Government has still not set a clear timetable for the establishment of ARGA nor put in place the necessary legislation. With local audit reform now dependent on the establishment of ARGA, this needs to be made a priority.
 - b) **Equip the system leader with powers over preparers as well as auditors:** High quality and timely audit depends on good quality accounting records and financial statements. We urge the Government to equip ARGA with equivalent powers over local authority reporting and governance as it plans for Public Interest Entity companies.
 - c) **Legislate to decouple pension fund accounts from administering authority accounts:** This measure has been advocated by key stakeholders including CIPFA LASAAC, the Local Government Pension Scheme Advisory Board and the Local Government Association (LGA), as well as by ICAEW, because it would prevent delays to the audits of pension funds causing delays to the audits of the main authority accounts and vice versa. The necessary legislation is already in place in Scotland and Wales. It should be brought forward in England as soon as possible.
 - d) **Legislate to require local authority audit committees with independent members:** We welcome that DLUHC have announced plans to do this, but legislation has yet to be brought forward. This legislation is vital because recent research by Grant Thornton into [lessons learned from recent Public Interest Reports](#) highlighted the importance of audit committees having appropriate skills and expertise to provide the appropriate levels of challenge and scrutiny.
 - e) **Implement measures that have already been announced:** see below.

Measures to mitigate the crisis in the local audit and reporting system have been announced but not implemented

21. ICAEW recommends that the DLUHC local audit team focus their efforts on implementing previously announced measures to address local audit delays before conducting new assessments or reviews. We welcome many of the actions announced but we are concerned they have yet to be fully delivered.
22. DLUHC announced a package of measures to address delays to the publication of audited accounts in England in December 2021 but many of those measures have still not been implemented. For example, the NAO state that the new local audit training diploma will not be launched until later in 2023. This diploma is essential for opening up the training route, introduced in changes to the guidance, for experienced Responsible Individuals (RIs) to become Key Audit Partners (KAPs).
23. The government accepted 21 of the 23 recommendations Sir Tony Redmond's [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) ("the Redmond Review").
24. More than 30 months after the publication of the Redmond Review, ICAEW analysis suggests at least 12 of the remaining 21 recommendations have not been fully implemented.
25. For example, Redmond's recommendation #12 that "the external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified" has not been implemented. Implementation of this recommendation has been "paused" and the local audit team will "consider whether legislation is desirable when capacity allows". It is not clear why guidance recommending this is implemented could not be issued until a legislative opportunity arises.

26. Many of the measures that we believe would help mitigate delays to the publication of audited accounts in England have already been introduced in the other nations of the UK. For example, legislation requiring all local authorities to have audit committees with independent members was enacted in Wales in 2011 and Scotland established a system leader for the audits of local government bodies, the Accounts Commission, in 1975.
27. ICAEW encourages the government to consider what lessons can be learnt from the audit and finance systems in the other parts of the UK that have not seen the same pervasive delays to the publication of audited accounts as England.

Implementation delays and uncertainty over plans hindered efforts to boost market capacity

28. PSAA's procurement strategy to encourage new suppliers into the market has only been partly successful, leaving the local audit market in a fragile state.
29. The latest procurement round awarded audit contracts to the 99% of English local government bodies that opted into PSAA's scheme for five financial years commencing with the year from 1 April 2023 to 31 March 2024. The six successful firms included two new suppliers (Azets and Bishop Fleming) and a firm, KPMG, that do not currently conduct work under PSAA's previous procurement. This represents a small but welcome increase on the five audit firms currently conducting work under PSAA's previous procurement though it is notable that two experienced local audit firms, Deloitte and BDO, did not submit bids.
30. However, ICAEW believes that this was a significant missed opportunity to improve market capacity. Twelve firms expressed an interest in potentially working in the sector by attending ICAEW and FRC facilitated roundtables in autumn 2021, but only seven submitted bids to the procurement. There is unlikely to be a similar opportunity to increase capacity until 2028 when the next procurement round is held.
31. One of the contributing factors may have been that the technical advisory service for local auditors has still not been established. This was seen as a key element in encouraging new market entrants, particularly in enabling smaller audit firms to submit bids. ICAEW contributed to the CIPFA-led working group in 2021 that developed the proposals for this service, but the details have still not been confirmed and the NAO report that it will not be launched until the summer of 2023. Uncertainty over the scope of this service may have discouraged potential entrants from deciding to bid.
32. Another uncertainty was caused by the publication by DLUHC of its feedback on the summer 2021 [consultation on the local audit framework](#) on 31 May 2022, two months after PSAA's 18 March 2022 deadline for submitting selection questionnaires for the procurement. We expressed concern at the time that this could have an adverse effect on the procurement in a [letter](#) to the then Minister for Levelling Up in February 2022. Such mismatch and lack of co-ordination does not facilitate an improved local audit market with a greater number of players in the system.

Short-termism is storing up longer-term problems for local government

33. ICAEW does not want to place unnecessary burdens on councils, especially during a cost-of-living crisis and ever-growing pressures on local authority resources, but we believe that continually deferring important changes to ease short-term pressures can result in greater costs and burdens in the long run. They can lead to weaknesses in the financial reporting framework not being addressed, adding to the uncertainties that hinder planning by finance teams and make the audits more difficult.
34. For example, there have been repeated extensions to the deadline for implementing IFRS 16 on accounting for leases from April 2019 (when it was implemented in the private sector) to April 2020, then to April 2022, and now to at least April 2024. These deferrals are preventing

a much-needed improvement in financial reporting and control from being delivered, as well as causing inconsistency with both central government and private sector financial reporting.

35. Similarly, in the [December 2021 package of measures to address audit delays](#), DLUHC announced a delay to the implementation of Redmond's recommendation of a standardised statement of service information because now was not "the right time to introduce these new accounting and auditing requirements".
36. Redmond saw the standardised statement as an opportunity to remove unnecessary disclosures in the existing financial reporting framework, thereby reducing the accounting and auditing effort (and cost) required, in addition to improving transparency and understandability.
37. Repeated temporary departures from best practice in financial reporting risk undermining local authority financial statements in supporting both accountability and decision making.
38. ICAEW is concerned that repeatedly delaying improvements in financial reporting is symptomatic of the capacity problems facing both local authorities and DLUHC. Each individual change can appear reasonable to avoid adding to the burdens placed on finance teams and audit firms in the here and now, the consequence is a building up of unimplemented changes that could and should have been dealt with already. If the problem is, for example, that finance teams are insufficiently resourced to implement a new accounting standard, then deferring implementation only puts off the necessary steps to take, or alternatively results in a further deterioration in the quality of local authority financial reporting and governance.

Better co-ordination across Government is required

39. The NAO is right to note that delays to the publication of audited local authority accounts has a wider impact in the public audit system. Other public and not-for-profit bodies, including NHS bodies, universities, academies, and housing associations, rely in most cases on the same public sector audit teams. ICAEW, therefore, believes that the different parts of Government should work more effectively together to tackle the pervasive issues in the audit and reporting systems.
40. This is particularly acute for the audits of NHS trusts and Clinical Commissioning Groups that are subject to the same KAP eligibility requirements; this means the market is limited to the nine audit firms on the local audit register. The Comptroller and Auditor General's report on the Department of Health and Social Care 2021/22 accounts reports a "continued deterioration in the timely finalisation of NHS bodies' accounts and completion of local audits".
41. The ability to address the issues with the timely publication of local authority and NHS body audited accounts in England back on track has been hampered by legislative delays that pushed the transition of Clinical Commissioning Groups to Integrated Care Boards from the planned date of 1 April 2022 to 1 July 2022. This has doubled the number of financial statements for the 2022/23 financial year from one set for the whole year, to two: covering three-months for the old Clinical Commissioning Groups and nine-months for the new Integrated Care Boards.
42. Ongoing uncertainty about the future of corporate audit is hindering the ability of firms to plan their staffing requirements and make decisions about what sectors they want to focus on. In one week in February alone, we found out that the legislation would be overseen by a new Secretary of State, taken through Parliament by a new minister in a new Department, and implemented by a new FRC Chief Executive. ICAEW believes that audit and corporate governance reform, including legislation to establish ARGAs should be a priority, to restore

investor confidence in the resilience and reporting of UK companies, as well as to address the timeliness issues in the publication of audited financial statements.

A STRATEGIC VISION FOR LOCAL FINANCIAL REPORTING AND AUDIT

A whole-system approach is required to address underlying issues

43. ICAEW recommends that DLUHC works with the system leader and other stakeholders on a long-term, whole-system approach that addresses the underlying issues that have resulted in the delays to the publication of audited local government accounts in England, as well as the high-profile financial management issues in some local authorities.
44. The long-term approach should be led by a clear strategic vision from the Government and the system leader of the role that financial reporting and audit should play in the local authority accountability system.
45. To support DLUHC and the system leader, ICAEW is publishing our own vision for local financial reporting and audit (Appendix 1) centred on actions to:
 - Improve financial reporting to enhance transparency and accountability.
 - Deliver high-quality local audits on a timely basis.
 - Strengthen financial management and governance.
 - Reform finances to deliver value for money and protect the public interest.
 - Build a thriving profession that is highly valued.
46. Our vision identifies a series of actions we support to address challenges facing local public bodies, audit firms and central government to bring confidence to the finances of local public bodies. These include steps to:
 - Strengthen local authority finance teams.
 - Make local authority financial statements more relevant and understandable.
 - Address the disconnect in priorities between the different participants in the system.
 - Reduce barriers to entry to the local audit market.

Strengthen local authority finance teams

47. Strong finance teams and governance arrangements are a vital prerequisite for a timely and efficient audit process, as well as achieving value for money in public spending and preventing financial management failures. The [Penn Report](#) identified the under-resourcing of the finance team and “failings in governance” as key contributory factors into Croydon council’s current “perilous and precarious financial position”.
48. We welcome the additional £15m a year for four years of support for local authority finance teams announced in 2021, but with an estimated 150% increase in audit fees from 2023/24, we encourage the Government to consider further additional support.
49. The Government should also explore ways to alleviate burdens on finance teams such as bringing forward the plan to streamline and simplify local authority funding that was promised in the Levelling Up White Paper.

Make local authority financial statements more relevant and understandable

50. Wider use of financial statements by local authorities, by elected representatives, by central government in their monitoring activities and by the public would increase the profile of the work of local authority finance teams and auditors, supporting recruitment and retention.
51. More importantly, it would help improve decision making and scrutiny, thereby reducing the potential for financial management failures.

52. Key to encouraging wider use of local authority financial statements is making them shorter, more relevant and easier to understand.
53. We welcome the creation of CIPFA's Financial Reporting Hub to explore how the presentation of local authority accounts can be improved. We urge them to consider radical measures such as removing disclosures that might be better reported elsewhere, including the content of museum collections, and redesigning the expenditure and income statement to provide a better overview of local authority financial performance.
54. We recognise that tackling the "impenetrability" of local authority financial statements will not be a quick or easy task, but we believe the benefits means that it deserves greater momentum. Government has a key role in supporting the objective of the Financial Reporting Hub:
- DLUHC should identify and seek to reduce the many statutory overrides from International Financial Reporting Standards contained in legislation as Redmond identified these as the primary cause of the complexity of local authority financial statements. DLUHC's recent announcement that the statutory override on pooled investment funds accounted for under IFRS 9 will end on 31 March 2025 is a step in the right direction.
 - The local audit system leader should establish a local authority equivalent of the Corporate Reporting Review Panel to enable it to suggest improvements to individual local authorities.
 - ICAEW has flagged to the Minister for Local Government that the proposed Office for Local Government (OfLoG) could play a powerful role in raising the profile of local government financial statements by bringing together and analysing information contained in them, similar to the way in which the Accounts Commission supports the local government finance and audit system in Scotland. We encourage the government to set out its plans for OfLoG as soon as possible.
55. As well as the advantages for transparency, removing unnecessary disclosures would reduce the workload of preparers and auditors. Greater alignment with IFRS and central government accounts would enable easier transfer of skilled audit and finance staff to the local government sector from other sectors.

Address the disconnect in priorities between the different participants in the system

56. Also essential for supporting recruitment and retention, as well as maximising the benefit obtained from the audit and reporting process, is ensuring that auditor and preparer effort is dedicated to the account areas that pose the greatest risks to public bodies and are of the most interest to the users of the financial statements and audit findings.
57. We strongly support the need to carry out audits to a high standard and for the FRC / ARGA to conduct rigorous audit quality reviews (AQR), but it is important that these reviews are proportionate and tailored to the circumstances of local authorities. We are concerned about a disconnect between the local authority budgeting process based on the level of usable reserves and the focus of audit quality reviews (AQR) on large balance sheet valuations
58. There is a widespread view that the current reporting and audit requirements over operational property are disproportionate. Local authorities are currently required to value operational assets, such as schools, at depreciated replacement cost even though it is not especially relevant to decision making and arguably makes it more difficult for those holding local authorities to account to understand how public resources have been used.
59. We urge HM Treasury to conclude as soon as possible its review of the valuation of operational property in the public sector that was announced in December 2021 as part of the package of measures to address delays.

Reduce barriers to entry to the local audit market for suitably skilled auditors

60. Despite the persistent capacity issues in the local audit market, the barriers to entry remain high. ICAEW's research suggests that the Key Audit Partner (KAP) rules are a major barrier to entry for new firms and for existing firms to expand their capacity.
61. The KAP certification is unique to the audits of local government and some local NHS bodies, with no similar requirement in other public sector audits, nor in private sector auditing.
62. ICAEW believes that the risk to audit quality from enabling a wider pool of experienced auditors to sign off local audit opinions is low compared to the risk of the insufficient capacity exacerbated by the current rules. Professional, ethical and auditing standards already require registered auditors to have sufficient and relevant knowledge, experience and expertise before they accept external audit appointments.
63. The revisions to KAP guidance introduced by the FRC in July 2022 were a missed opportunity to facilitate an increase to the pool of potential auditors. We welcome the new route to allow RIs to become KAPs through training but are concerned that additional requirements have made this route burdensome. For example, the FRC pressed ahead with their proposals to only open the route to those who have been an RI for at least five years despite no equivalent requirement in any other sector [and 8 out of the 11 respondents to the consultation opposing such a proposal](#).
64. We urge the FRC to reconsider this requirement and the one, not previously consulted on that mandatory hot file reviews for KAPs following the training route must be carried out by existing KAPs, which makes the new route unworkable for firms that do not already have KAPs.
65. In addition, we believe that changes are required to statute, as recommended by Sir Tony Redmond, to enable local audit experience to count towards the experience required to become a registered auditor and to permit those with relevant overseas qualifications to become KAPs.

APPENDIX 1: ICAEW'S VISION FOR LOCAL AUDIT

To bring confidence to the finances of local public bodies through a valued and thriving profession

We believe in high-quality understandable financial reports, in high-quality timely local audits, in strong financial management and good governance, in value for money and protecting the public interest, and in the critical role accountants and auditors play in enhancing transparency and accountability in the public sector.

What we believe is needed	Challenges we believe need to be overcome	Actions we support
Enhanced transparency and accountability through improved financial reporting	<ul style="list-style-type: none"> Lack of understanding of purpose of accounts Accounts treated as a compliance exercise and not actively used in holding bodies accountable Overcomplicated financial statements Unavailability of guidance to cash-strapped teams Poor underlying records and documentation Poor quality financial statements and narrative Gap in best practice compared with private sector Lack of public accountability 	<ul style="list-style-type: none"> Establish the primary users and uses of accounts as a key part of accountability and oversight Annual results presentation by management to stakeholders and the public, together with training and resources for councillors and other stakeholders to improve financial literacy Simpler, shorter, more understandable accounts, with fewer statutory overrides, fewer differences from IFRS Streamline Local Authority Accounting Code and model accounts, and make available for free Greater investment in the quality of financial records, in financial controls, and in the reporting process System leader to lead on tackling weaknesses in financial reporting by preparers and the backlog in reports A financial reporting panel that reviews and challenges accounts and promotes best practice Redmond Review recommendation for a summary statement to help public understanding
High-quality local audits delivered on a timely basis	<ul style="list-style-type: none"> Audit not sufficiently valued by stakeholders Local audit not seen as an attractive career choice Disagreement on primary areas of audit focus Areas for improvement identified by FRC Resourcing constraints across audit portfolios Expectations gap in value for money reports Lack of assurance on central government grants 	<ul style="list-style-type: none"> Promote the value of accounts and audit as critical components in ensuring effective governance Greater recognition of the importance of local audit in adding value to society Encourage new system leader to clarify risk focus for audits Audit firms to address concerns identified, and foster a culture of continual improvement Pragmatic approach to audit scheduling and deadlines across the public sector Wider focus on controls and financial sustainability in commentary on value for money arrangements Standardised framework for grant assurance on central government funded programmes
Strengthened financial management and governance	<ul style="list-style-type: none"> Underinvestment in finance teams Weaknesses in systems, processes and controls Inconsistencies between budgets and accounts Lack of risk and governance expertise Management accountability not always clear 	<ul style="list-style-type: none"> Greater investment in finance staff, systems and processes; recruit and train more qualified accountants Digital innovation, practical support, common standards, benchmarking, and sharing of best practice Greater alignment and clearer line of sight to improve monitoring and reporting of performance Audit committees to contain at least one independent financial expert Greater clarity around the financial responsibilities of leaders, cabinets, chief executives, and senior officers
Value for money and protecting the public interest	<ul style="list-style-type: none"> Overcomplex funding models Short-term funding settlements Risks from investments and debt leverage Financial failures from long-standing problems Weaknesses in monitoring by central government Interventions when it is far too late 	<ul style="list-style-type: none"> Reform of funding streams (with less bidding) to enable greater focus on value and outputs Medium-term assurance around funding to enable more effective financial planning Recapitalise local authorities and revisit rules that prevent diversification of investment risk Earlier use of public interest reports to instigate action before, rather than after, failures occur Standardised monthly and annual financial reports to DLUHC to replace ad hoc reports and data gathering Greater proactivity by DLUHC to identify individual and systemic issues and offer support at an earlier stage
A thriving profession that is highly valued	<ul style="list-style-type: none"> Lack of capacity in the audit market Limited pool of qualified local audit partners Insufficient fees to attract audit firms 	<ul style="list-style-type: none"> Greater flexibility in moving between company and public audit Reduce obstacles to entry by reforming Key Audit Partner and public audit eligibility rules Adequate fees, plus technical resources to support smaller firms wanting to enter market