



OVERHAULING THE LOCAL AUDIT SYSTEM IN ENGLAND

Issued 29 January 2025

ICAEW welcomes the opportunity to comment on the strategy for overhauling the local audit system in England published by the Ministry of Housing, Communities and Local Government (MHCLG) on 18 December 2024, a copy of which is available from this [link](#).

We welcome the proposed strategy

- ICAEW supports the overhaul of the local financial reporting and audit system in England and agrees with most of the proposals in the consultation.

SAAA may be best placed to continue their current responsibilities in the near term

- Procurement of smaller authority auditors by SAAA appears to be functioning effectively.
- The LAO has more immediate priorities and so it may be better to defer taking on this role.

Enforcement and inspections work should remain with those specialising in the area

- We believe Non-Major Local Audit inspection work should remain with ICAEW as the body best placed to conduct inspections.
- A separate enforcement department within the LAO may not be a cost-effective way to operate and the LAO may find recruitment of specialist staff a challenge.

Progressing accounts reform remains vital

- Improving the quality and understandability of annual financial reports and the financial statements is essential to resolving the underlying issues that led to the backlog..
- Long-term solutions proportionate to the needs and context of the sector are needed.
- Reform must be delivered at pace.

Key Audit Partner requirements should be reviewed

- ICAEW continues to believe that requirements to undertake local audit should not be more burdensome than those for other sectors.
- Currently these requirements are too restrictive, create barriers to entry for new firms, and in our view the current number of active KAPs – 107 – is not enough to supply the system.
- If the current requirements remain in place, amendments should be considered with a view to increasing audit capacity.

INTRODUCTION

1. 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 strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 169,000 chartered accountant members in over 146 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.
2. ICAEW is the only recognised supervisory body (RSB) for local audit in England. We have eleven firms and 107 Key Audit Partners registered under the Local Audit and Accountability Act 2014.
3. ICAEW engages with policy makers, public servants, and others, to promote the need for effective financial management, audit and assurance, financial reporting, governance, and ethics across the public sector to ensure public money is spent wisely.
4. This response has been prepared by ICAEW's Public Sector team and ICAEW's Professional Standards Department, in consultation with ICAEW's Public Sector Advisory Group.
5. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 14,000 in ICAEW's Public Sector Community.
6. Our [vision](#) for local financial reporting and audit sets out steps we believe are necessary to improve the quality and rigour of the financial information provided to councillors to enable them to be effective in holding their local authorities to account. It also sets out steps to strengthen local audit to assure that information.
7. We submitted [evidence](#) on 28 March 2022 to the FRC's consultation on the Revision of the FRC Statutory Guidance under the Local Audit and Accountability Act 2014, in response to the Redmond Review.
8. We submitted [evidence](#) on 17 April 2023 to the House of Commons Levelling Up, Housing and Communities Committee setting out how we believe financial reporting and audit in local authorities can be improved.
9. We submitted [evidence](#) on 7 March 2024 to the Department for Levelling Up, Housing and Communities (now the Ministry of Housing, Communities and Local Government) consultation on addressing the local audit backlog in England.
10. We submitted [evidence](#) on 7 March 2024 to the National Audit Office consultation on the Code of Audit Practice for local audit in England.
11. We submitted [evidence](#) on 28 March 2024 to CIPFA LASAAC on short-term changes in England to the Code of Practice on Local Authority Accounting in the United Kingdom.
12. We submitted [evidence](#) on 17 October 2024 to the Financial Reporting Council's NHS audit market study.
13. For questions on this submission please contact our Public Sector team at representations@icaew.com quoting REP 10/25.

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KEY POINTS

WE WELCOME THE PROPOSED STRATEGY

14. ICAEW welcomes this consultation by MHCLG which sets out a series of measures to address the local audit system, including the introduction of a new Local Audit Office.
15. The local audit system is unquestionably in crisis; excluding smaller authorities and NHS bodies, only 1% of audited financial statements were published on time for the 2022/23 financial year, with the local audit backlog reaching nearly 1,000 audits, some of which dated as far back as 2015/16.
16. Implementation of a series of backstop dates has significantly reduced the audit backlog and has opened a pathway for local authorities to receive timely audits. However, this is only the first step in restoring essential accountability and transparency to the local audit system, with vital reforms being required over the course of the coming years as local authorities rebuild assurance.
17. While the picture is better across NHS bodies and smaller authorities, challenges involving a lack of auditor capacity and perceived regulatory pressures have also created difficulties, with delays to the publication of some NHS audits contributing in turn to delays in the publication of audited financial statements for the Department of Health and Social Care, and NHS England for example.
18. We therefore welcome the establishment of the new Local Audit Office (LAO). The LAO has the potential to radically simplify the local audit system by bringing multiple functions together into its remit, focused on ensuring the local audit system is fit for purpose.
19. Introduction of the LAO is, however, not the only step required to address the many issues across the local financial reporting and audit system. The LAO, and other stakeholders within the system, will need to focus on ensuring that annual financial reports and audited financial statements are capable of being used effectively as a tool for accountability, as well as reducing the burden upon accounts preparers and auditors through progressing much-needed accounts reform, increasing the capacity of auditors operating within the local audit market, and increasing the attractiveness of the sector as a whole to attract qualified, talented professionals to work within it.

SAAA MAY BE BEST PLACED TO CONTINUE THEIR CURRENT RESPONSIBILITIES IN THE NEAR TERM

20. While we agree with the LAO taking over the responsibility of Public Sector Audit Appointments Limited (PSAA) to procure, appoint, and contract manage auditors for local authorities, ICAEW concurs that there is no need to rush potential plans for the LAO to take over the responsibilities of Small Authorities' Audit Appointments Limited (SAAA).
21. Procurement of auditors for smaller authorities is an area of the local audit system that appears to be functioning well at the current time. For example, all smaller authorities have opted into central procurement with the SAAA, and auditors have been continuously appointed for those bodies that have remained below the statutory threshold of £6.5m over a three-year period.
22. We therefore believe that the initial focus should be on looking to build upon the current system of appointing smaller local authority auditors and strive to make it even more efficient and effective. While we agree in principle that the LAO may wish to consider this as a longer-term priority to further reduce fragmentation in the system, the LAO has much more important and immediate priorities to address in resolving the audit backlog, expanding market capacity, and improving the quality of local authority annual financial reports and audited financial statements.
23. In the meantime, SAAA are likely to be best placed to continue their responsibilities for smaller authorities.

ENFORCEMENT AND INSPECTIONS WORK SHOULD REMAIN WITH THOSE SPECIALISING IN THE AREA

24. Given the suggestion in paragraph 53 of the consultation that the LAO may delegate monitoring work to other bodies while retaining an oversight role, we believe it would be consistent and appropriate for enforcement work to continue to be carried out by those specialising in the work at the moment, subject to oversight by the LAO.
25. It would be a matter for consideration whether, given the establishment of oversight by the LAO, and the independent governance and decision-making now in place around ICAEW's enforcement work, there would be a need for enforcement work to be carried out by two different bodies in the future.
26. As for enforcement, we consider that ICAEW is best placed to conduct the inspections for non-MLAs and has the skills and experience to be the provider of choice for the LAO for all local audit inspection work if desired.
27. The only alternative to the LAO overseeing enforcement work being carried out by other bodies would be for the LAO to set up its own enforcement department. However, our experience in dealing with local public audit work would suggest both that it would be very difficult for the LAO to recruit in-house the required specialist expertise and that, even if it were possible, this would be an inefficient and ineffective way to proceed.

PROGRESSING ACCOUNTS REFORM REMAINS VITAL

28. There has been a lack of consensus in how to progress accounts reform, in particular in finding the appropriate balance between developing high-quality financial statements that meet regulatory requirements and are understandable for users, while at the same time being proportionate to the needs and risks of the sector.
29. Challenges have also arisen in implementing reforms which are well supported by most of the sector. For example, the decoupling of pension fund accounts from those of their administering authority requires primary legislation, however, an appropriate legislative window has not currently been identified.
30. Progressing accounts reform is a vital part in ensuring that a local audit backlog does not occur again in the future. It is imperative that financial reporting requirements are developed which ensure the production of accounts which are understandable to users but are also achievable for preparers to create in a timely manner. Such reform will require the development of long-term solutions, such as in the area of infrastructure assets and the presentation of the income and expenditure statement. There is also a need to avoid 'sticking plasters' that might help resolve issues in the short-term but end up exacerbating issues in the longer-term, making a permanent solution more challenging to implement.
31. This reform must also be delivered at pace. We are pleased that CIPFA LASAAC is moving forward with the Better Reporting Group with the aim of improving local authority and wider public sector financial reporting. We hope that the group can identify measures which will assist finance preparers and auditors in the immediate future.
32. ICAEW remains committed to supporting all parties across the system to deliver the required reform.

KEY AUDIT PARTNER REQUIREMENTS SHOULD BE REVIEWED

33. ICAEW's view is that the Key Audit Partner (KAP) requirements are too restrictive. We do not believe that the requirements to perform local audit should be more burdensome than for other sectors.
34. We believe that the requirement to be a KAP has played a significant role in restricting the level of auditor capacity in the sector, with there now being only 107 KAPs to sign off the audit opinions of local public bodies.
35. Requiring a different status for signing audit reports is unique to the local government sector; other (arguably more) complex sectors, such as in banking or insurance, permit Responsible

Individuals (RIs) with the appropriate expertise and experience to sign audit reports without putting in place an additional regulatory hurdle before doing so.

36. The requirement for KAPs to sign the audit opinions of local government audits is a barrier to entry for audit firms currently not operating in the market, as they require at least two KAPs before being able to undertake local audits.
37. The requirements also create a barrier to entry within firms for those with RI status who may be interested in undertaking local audit work, making the local audit sector more unattractive by restricting the ability of appropriately qualified and experienced professionals to move between corporate and local audit.
38. All RIs are required by professional and auditing standards to have sufficient expertise and experience before undertaking an audit, including specific knowledge of the sector within which an audited entity operates. Our preference would be for the KAP requirements to be replaced by, or amended to mirror, the requirements to become an RI.
39. If the stricter KAP requirements are to be retained, we recommend removing the current time experience requirement for KAPs, creating a principles-based approach when assessing the competency and experience of a new applicant, and removing the requirement that new KAPs are automatically subject to a hot review of their first local audit file.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Do you agree the LAO should become a new point of escalation for auditors with concerns?

40. Yes, we agree that it is likely to be beneficial for the LAO to become a new point of escalation for auditors with concerns. As an independent system leader LAO will be best placed to support auditors with advice on how to proceed, to develop intelligence on issues emerging across the sector, and would have the ability to liaise with central government as appropriate.
41. We support the proposal that the LAO would look to strengthen the early warning system. This would assist auditors in raising concerns at an earlier stage and would help the LAO to instigate action before, rather than after, a failure occurs.
42. It is imperative that any escalation arrangements invoke confidence within audit firms to feel comfortable to raise issues. Audit firms are not always at ease using the existing Escalated Reporting Framework, despite the positive intentions of the FRC in setting up the framework to operate independently of their wider supervision and inspection activities. As a result, the framework may not be meeting the FRC's aims of improving the governance of the local audit system.
43. Furthermore, audited bodies need to feel comfortable about the information they share with their auditors, especially where they are flagging potential issues at an early stage. The local audit system, like any auditing system, is most effective when clients and audit firms have a positive relationship and have a mutually agreed aim of delivering high-quality audited financial statements on a timely basis. Any escalation arrangements therefore need to encourage audited bodies to engage with their auditor at an early stage where there are issues and ultimately encourage audit firms to engage with the LAO earlier to help prevent failures before they occur. The benefits of positive engagement will need to be emphasised, and all parties will need to be adequately supported by the LAO throughout.

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

44. Yes, we agree that relevant issues identified should be shared with auditors, government departments and inspectorates. Many of these bodies need such information to be able to perform their role effectively.

45. Such information could also be used to promote best practice across public sector bodies and audit firms, as well as promoting how to avoid poor practice where relevant. This could work in similar way to the operation of Public Interest Reports, but at an earlier stage with the intention of improving the overall governance and financial reporting arrangements of public sector entities.

Question 3: Should the LAO also take on the appointment and contract management of auditors and for smaller bodies in the longer term? If so, when should responsibilities transfer from SAAA?

46. Yes, but not immediately. We agree that it may be a suitable longer-term aim of the LAO to take on the appointment and contract management of auditors for smaller bodies. Such an arrangement would remove fragmentation in the system and there may be practical benefits from bringing together PSAA's responsibilities for contracting and appointing auditors and setting audit fees for local authorities with the similar activities for smaller local activities currently undertaken by the SAAA.
47. However, we would express caution for any plan for the LAO to take over the SAAA's responsibilities in the immediate future.
48. The procurement system for smaller bodies across the local audit system is one area of the system which appears to be functioning well. For example, all smaller authorities have opted into central procurement with the SAAA, and an auditor has been continuously appointed for those bodies which have remained below the statutory threshold of £6.5m over a three-year period. Issues have arisen for bodies which exceed this threshold and have become a Category 1 authority as defined in the 2014 Local Audit and Accountability Act. These authorities are subject to a full audit, and many have had challenges appointing an auditor, however this responsibility falls under the PSAA's ambit.
49. Furthermore, according to an [SAAA report on the results of auditors work](#) for 2022-23, 93% of opinions had been issued by auditors of smaller bodies by 31 December 2023, and the SAAA delivers their activity with less than two FTE staff members, indicating an efficient body with limited central costs.
50. The National Association of Local Councils (NALC) have expressed their [concern](#) over 'unintended consequences' for smaller authorities if procurement responsibilities were to be absorbed by the LAO, with their chair noting that 'any changes should reflect and build upon' the success of the SAAA, 'not threaten planned improvements.'
51. We concur with the views of the NALC that the SAAA should continue to operate as they currently do in the near term and look to implement further improvements to the procurement regime of smaller bodies. In our view, there are more important priorities for the LAO to be tackling as part of their immediate incorporation. It may make sense to revisit this position once the LAO is fully established and resourced in 2027/28.

Question 4: Should the LAO oversee a scheme for enforcement cases relating to local body accounts and audit?

52. Given the suggestion in paragraph 53 of the consultation that the LAO may delegate monitoring work to other bodies such as the FRC and ICAEW while retaining an oversight role, we believe it would be consistent and appropriate for enforcement work to continue to be carried out by those who currently specialise in this work at the moment, subject, similarly, to oversight by the LAO. It would be a matter for consideration whether, given the establishment of oversight by the LAO, and the independent governance and decision-making now in place around ICAEW's enforcement work, there would be a need for enforcement work to be carried out by two different bodies in the future.
53. As for enforcement, we consider that ICAEW is best placed to conduct the inspections for non-MLAs and has the skills and experience to be the provider of choice for the LAO for all local audit inspection work if desired.

54. The only alternative to the LAO overseeing enforcement work being carried out by other bodies would be for the LAO to set up its own enforcement department. However, our experience in dealing with local public audit work would suggest both that it would be very difficult for the LAO to recruit in-house the required specialist expertise and that, even if it were possible, this would be an inefficient and ineffective way to proceed.
55. The specialist nature of local audit work means that any investigation into allegations of poor local audit work must be undertaken by individuals with requisite knowledge and experience of local audit. There is a very limited pool of such individuals, especially those who are also skilled in conducting investigations into professional conduct matters.
56. A related challenge in recruiting specialist local audit investigators is providing these individuals with sufficient work to occupy a full-time role. The volume of local audit disciplinary cases is generally relatively small and matters arise infrequently. ICAEW receives typically only a handful of conduct complaints relating to local audit each year. There has only been one year in the past four where the number of complaints has exceeded ten. Of these complaints, only two resulted in a disciplinary sanction in the past four years.
57. However, not only are conduct complaints on local audit matters infrequent, but they can range greatly in size and complexity. At the simplest end of the spectrum, complaints can relate to trivial matters with no supporting evidence, to matters that relate to a serious issue and have a huge volume of related documentation which takes a great deal of time to review and consider. This means that there needs to be sufficient flexibility of resource who can deal with local audit conduct matters so that both minor and major issues can be adequately investigated on a timely basis. Due to the wide range of accountancy and audit matters that are dealt with by the ICAEW Conduct Department, our local audit conduct specialists are able to supplement local audit work with other general accountancy and audit investigations where they have excess capacity. As in the case of enforcement, the ICAEW local audit inspection staff are all multi-disciplinary and also undertake statutory audit inspections. This breadth of monitoring work means that ICAEW's local audit inspections also benefit from insights derived from any applicable issues in statutory audit monitoring.
58. As for enforcement, it is crucial that a local audit inspection function has sufficient specialist resource with experience of working in the niche local audit market. ICAEW's Quality Assurance Department has five local audit specialist staff members with a strong background in local audit work including experience at organisations such as the National Audit Office. This team is supplemented by three other staff who have developed knowledge in relation to local audit and who work alongside the specialists. This eight-strong team conducts the inspections for all non-MLAs but also undertakes a substantial amount of local audit monitoring work under contract. ICAEW has had an established presence in outsourced local audit monitoring work for more than a decade. This now includes contract local audit monitoring for all of the devolved nations as well as some Crown Dependencies.
59. ICAEW has also recently taken on the enforcement function for CIPFA, so the ICAEW Conduct Department deals with any conduct complaints relating to CIPFA members as well as ICAEW members and firms. This means that ICAEW is well placed to deal with a whole range of local body accounts and audit enforcement work. The creation of the LAO gives an opportunity to consolidate the enforcement activity across the local audit market.
60. All decisions made on ICAEW's enforcement cases are made by an independent Conduct Committee, which cannot have less than 50% lay members and must have a lay chair. All committee members and the chair are appointed by the Regulatory & Conduct Appointments Committee (RACAC) based on an agreed skills matrix. RACAC has a parity of lay and chartered accountant members and a lay Chair with a casting vote, and it reports into the ICAEW Regulatory Board (which, in turn, has a parity of lay and chartered accountant members with a lay Chair with a casting vote).

Question 5: How could statutory reporting and Public Interest Reports be further strengthened to improve effectiveness?

61. As noted in our response to Question 1, we consider that the new escalation arrangements could play a pivotal role in improving the effectiveness of statutory reporting and Public Interest Reports. This is because auditors and their clients may feel more empowered to share relevant information on topical issues at an earlier stage, enabling audit firms to act earlier in issuing statutory recommendations to bodies and issue a Public Interest Report where relevant.
62. We also concur that such reporting could be strengthened if there was an increased focus by the inspection regime on VFM work, in addition to reviewing external audits of the financial statements. This could encourage auditors to spend more time focusing on considering the governance arrangements of an entity and considering how an entity can improve their arrangements to secure value for money through economy, efficiency and effectiveness in the use of their resources.
63. The potential establishment of Local Public Accounts Committees might also provide a mechanism to improve the effectiveness of statutory reporting and Public Interest Reports. Such forums could be utilised to improve external scrutiny of value for money on local public spending, drawing upon local expertise and interacting with the LAO and local authorities to share best practice. Our responses to questions 23 and 24 consider the potential of such committees in further detail.

Question 6: Should the scope of Advisory Notices be expanded beyond unlawful expenditure, or actions likely to cause a loss or deficiency, as defined by the Local Audit and Accountability Act, to include other high-risk concerns?

64. No. We would express caution in expanding the scope of Advisory Notices beyond unlawful expenditure or actions likely to cause a loss of deficiency to include other high-risk concerns.
65. While there are potential benefits to utilising such notices to identify issues such as financial sustainability at an earlier stage, the overall capacity of auditors to perform their work must be considered prior to placing additional requirements upon them, as well as the consequential burdens this would place on audited entities. Throughout the recovery phase of the backlog proposals, it will be imperative that auditors have sufficient resources to fully focus on rebuilding assurance and returning timely accountability to the financial reporting and auditing process.

Question 7: Should the LAO own the register of firms qualified to conduct local audits?

66. We are unsure about the focus of this question. It is unclear as to whether it is being proposed that the LAO keep and update the register of firms authorised to carry out local public audit work or whether the LAO should also be charged with carrying out itself all of the registration work required to determine whether firms and Key Audit Partners should remain on, or be admitted to, the register. These are two very different matters with very different consequences.
67. Our view is that it might make sense for the LAO to hold/own the register and that it might even make sense for the LAO to maintain/update the register itself. However, we believe that it would be much more efficient and effective for the LAO to delegate or allow recognised supervisory bodies (currently only ICAEW) to carry out registration work, including evaluating whether firms or KAPs meet eligibility criteria set by the LAO. ICAEW has already in place expert staff who have many years of experience in determining whether firms/individuals meet eligibility criteria, not just in relation to carrying out local public audit work but also statutory audit work more generally (and eligibility to take licences for other regulated work).
68. Given the historic low numbers of firms who are registered to carry out local public audit work, registration activity for local public audit is seldom at a high level and comes in peaks and troughs, with extensive activity when a new firm applies for registration and to approve their KAPs. We believe, therefore, that future registration work for local public audit would be

best suited to be housed within a department which has been sufficiently resourced to deal with many different types of regulatory approvals, and which can cope with fluctuations in demand across different workstreams.

69. ICAEW has built an efficient and effective process whereby decisions on less straightforward applications are referred to, and determined by, an independent committee, the Audit Registration Committee, which has a parity of lay and chartered accountant members and a lay Chair with a casting vote. Like PSD staff, this committee has built up considerable experience over many years of evaluating and determining such applications. Members of the ARC are selected based on an agreed skills matrix by the Regulatory & Conduct Appointments Committee (RACAC) which reports into the ICAEW Regulatory Board (which, in turn, has a parity of lay and chartered accountant members with a lay Chair with a casting vote).
70. If the current arrangements were to be continued, the LAO would be able to assure itself as to the proper working of the process by reviewing on an annual basis samples of registration work which had been carried out during each year, in the same way that ICAEW's current registration work for local public audit is subject to an inspection by the FRC which has not identified any weaknesses in ICAEW's local audit registration processes in any of its recent published inspections.
71. If the registration work remains with ICAEW, it would probably make more sense for ICAEW to continue to hold and maintain the register so that any changes can be made immediately and directly onto the register. It would, of course, be open to the LAO to maintain a link to the register of firms on its own website so that members of the public could identify registered firms and approved KAPs by looking at the websites of either the LAO or ICAEW. While the FRC is the competent authority for statutory audit in the UK, ICAEW, as the recognised supervisory body with the largest number of registered firms (c.2,000) hosts and updates the Joint Audit Register under the supervision of the FRC so there is a precedent for a professional body to host an audit register.
72. It is also important to bear in mind that, if responses are being sought on whether the LAO should carry out the registration work in addition to holding or owning the register, different financial arrangements would need to be made with ICAEW if it were expected that ICAEW staff would continue with any monitoring or enforcement work. At the moment, the annual registration fees which are charged to firms wishing to be registered to carry out local public audit work are set at a level to include all registration, monitoring and enforcement work that ICAEW needs to carry out in order to regulate those firms' activities properly.

Question 8: Should the LAO hold the power to require local bodies to make changes to their accounts, so that auditors could apply to the LAO for a change to be directed instead of needing to apply to the courts?

73. Yes. We believe that the LAO should have the power to require local bodies to make changes to their published accounts where appropriate. We consider that such powers would enhance the confidence of auditors to raise concerns with the LAO, but also vastly reduce the length of time taken to amend an item within financial statements that is identified to be potentially unlawful.
74. The power to require changes to be made would also provide a greater incentive to preparers to implement changes recommended by auditors to improve annual financial reports in order to avoid the risk of being required by the LAO to subsequently withdraw and republish their accounts.
75. The current process is burdensome, out-of-line with regulatory powers of similar countries and excessively costly. Currently, auditors of a local authority must, as per [the Local Audit and Accountability Act 2014, s28](#), 'apply to the court for a declaration' that an item of account is contrary to the law. The court must then make or refuse this declaration and subsequently may order rectification of the statement of accounts or underlying records.

76. For health service bodies, [s30](#) places a requirement upon auditors to also refer the matter to the Secretary of State and to notify NHS England of the matter, ‘as soon as reasonably practicable.’
77. In introducing such a power, it will be important to consider how to ensure the LAO has appropriate mechanisms and expertise to determine what constitutes non-compliance with the law. In addition, thought should be given as to whether there should be an ability to appeal decisions of the LAO, either to the courts or through another mechanism. There is also a question as to whether the proposal only applies where an item is potentially unlawful, or whether it may apply where there is potential material non-compliance with the Accounting Code for example. Working out these practicalities will be paramount prior to implementing changes to the current system.

Question 9: What are the barriers to progressing accounts reform?

78. Issues with progressing accounts reform are multi-faceted and are long-standing; as long ago as 2001, the Audit Commission noted that the framework of financial reporting and accountability in local government was in need of review. Respondents to their consultation at the time acknowledged that local government accounts are complex, hard to understand and fail to engage local people – themes which are still of relevance today.
79. One of the main barriers to progressing accounts reform is a lack of consensus across the sector in terms of how accounts reform should progress. Finding the appropriate balance between accounts which are understandable and relevant to the context of local government, and which maintain a level of high-quality financial reporting meeting regulatory requirements, has been notably challenging. This balancing act was reflected in CIPFA LASAAC’s recent consultation on short-term changes to the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the ‘Code’), where the CIPFA LASAAC board were divided on options to simplify accounting requirements on a temporary basis.
80. There have also been challenges in finding a suitable legislative window for some reforms; for example, the separation of pension fund accounts from their administering authorities is a measure which is widely supported by the sector; however, implementation of this reform requires primary legislation and is not yet in the legislative pipeline. We welcome the consultation’s note that the government will consider the LUHC Committee’s recommendation from November 2023 in this regard and we urge the government to identify a suitable legislative window at pace.
81. Short-term ‘sticking plasters’ across the sector have also exacerbated issues, making them more difficult to fix in the long-term. The lack of a solution for infrastructure assets is a key example here, with CIPFA LASAAC’s upcoming consultation on the [2025/26 Code](#) proposing to extend the short-term fix due to the length of time it would take to develop an appropriate methodology which meets the requirements of IAS 16 and which is possible for local authorities to deliver.
82. Statutory overrides have also created significant issues in the structure and format of annual financial reports, and often it has been simply more practical for government to extend these overrides rather than create a permanent, proportionate solution.

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

83. As noted in our response to Question 9, we believe the government should seek to limit, or ideally stop, the use of short-term ‘sticking plasters’ going forward. This would help progress accounts reform, provided long-term and proportionate measures can be developed which are designed specifically for a local government context.
84. Stakeholders must work at pace to progress the required reform. We are pleased that CIPFA LASAAC have relaunched the Better Reporting Group with the aim of improving local authority and wider public sector financial reporting, and that the CIPFA LASAAC 2025/26 Code consultation proposes measures to ease financial preparer and auditor burdens in the

measurement of operational property, plant and equipment in line with the [HM Treasury's Thematic Review](#).

85. It is imperative that CIPFA LASAAC, in conjunction with the LAO once it is established, continues to work at pace to address other areas in the accounts which need reform. They must also look to simplify other areas of the Code where possible.

Question 11: Should any action to reform be prioritised ahead of the establishment of the LAO?

86. These are the areas of reform which we consider should be prioritised ahead of the establishment of the LAO:
- Operational property, plant and equipment – we would encourage a move away from DRC valuations in this area. We consider that the use of DRC creates a subjective valuation which is not understood by users of the accounts, nor is the level of work required proportionate to the value the disclosures bring to the accounts, nor are they proportionate to the level of risk in the public sector. We discuss this in further detail in our previous [response](#) to CIPFA LASAAC's temporary Accounting Code consultation. As already noted however, we do welcome the proposals within the CIPFA LASAAC 2025/26 Accounting Code consultation to improve reporting in this area.
 - Pensions disclosures – we believe that these disclosures should be brought closer in-line with FRS 102 requirements, as they are less onerous than the current disclosure requirements, but still provide essential information that users of the financial statements need to understand the economic exposures of providing defined-benefit pensions arrangements to local authority staff. This was also discussed in further detail in our previous [response](#) to CIPFA LASAAC's temporary Code consultation.
 - Simplification of the Accounting Code more broadly – the Accounting Code should be designed on the basis that councillors, as elected representatives, are the primary users of local authority financial statements. Limiting divergences away from IFRS where possible would assist greatly.
 - Introduction of a summary statement – a previous [Redmond Review](#) recommendation, we concur that such a statement could vastly enhance the understandability of local authority accounts to local residents, thus being a key vehicle in increasing transparency.
 - Model accounts made more concise and understandable – currently, the model accounts are too long. If possible, they should be reduced in length to be closer to the length of the central government 'Department Yellow' template accounts.
 - Review of Key Audit Partner eligibility – this is discussed further in our response to Question 17.
 - Separation of pension fund accounts – as noted in our response to Question 9, the LUHC Committee recommendation to decouple the accounts of pension funds from their administering authority, is well supported by the sector and is recognised as a potential 'easy win'. We concur with the consultation which suggests separation has benefits for both local authorities and pension funds, with the major benefit being that it reduces the risk of local audit delays impacting the publication of pension fund accounts.

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

87. As noted in our response to Question 11, we consider that operational property, plant, and equipment disclosures are disproportionately burdensome on accounts preparers and auditors alike for the value they add to the accounts and to the users of the accounts.

Question 13: Do you agree that the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended and if so, when should it expire?

88. We agree that the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended for the 2025/26 financial year, however we would express caution about any further extension.
89. For 2025/26, such an extension is likely to be vital to prevent disruption to the process of rebuilding assurance for many local authorities and for returning timely financial reporting to the sector.
90. However, it is imperative that a long-term solution is developed at speed, which meets the accounting requirements of IAS 16 but also is possible for the sector to achieve and is cost effective for local authorities. As previously noted, government must move away from implementing short-term 'sticking plasters' to major issues such as infrastructure assets, as issues only become more difficult to solve once such a temporary solution is introduced.
91. ICAEW welcome CIPFA LASAAC's Task and Finish Group starting to develop a long-term solution with local authorities, and hope that this can be finalised within the 2025/26 financial year.
92. Any further extension should only be considered where a suitable long-term solution is not forthcoming and should be reviewed on an annual basis until this is developed.

Question 14a: Should the LAO adopt responsibility for CIPFA's Code of Practice on Local Authority Accounting?

93. We have no overall view on whether the LAO should adopt formal legal responsibility for the Code of Practice on Local Authority Accounting (the Accounting Code).
94. Irrespective of who has formal ownership, we believe that it is essential that the Accounting Code is free of charge for local authorities and other bodies to use, as is the case in central government with the FReM, and as is the case for NHS bodies with the GAM.
95. We believe that it is essential that accounting standard setters are independent of preparers and auditors, that there is transparent due process in how accounting standards, interpretations and guidance are developed, and that all stakeholders have confidence in those standards and interpretations. As a consequence it will be important for the LAO, if it becomes responsible for the Accounting Code, to ensure that it puts in place appropriate safeguards to ensure that the standard setting process is independent of the LAO and not beholden to other stakeholders within the sector. It is also important to ensure that changes to the Accounting Code are subject to a rigorous and transparent standard-setting process.
96. While it may be beneficial for the LAO to adopt responsibility of the Accounting Code on a practical basis, there could be a conflict of interest or perceived conflict of interest with some of the other potential responsibilities that it may take on. For example, the LAO is set to own responsibility for setting the Code of Audit Practice, and there is a suggestion that the LAO may interpret auditing standards and how they apply to the local sector. It therefore may be challenging for the LAO to develop appropriate safeguards which guarantee independence between their role as an audit office and their potential standard setting role.
97. There is also an issue to be addressed in relation to the LAO adopting responsibility for the Accounting Code for the whole of the UK, when the local audit strategy applies to England only. The LAO will not have a remit over the devolved nations. Local authority accounting is a devolved matter and therefore decisions relating to it lie with the devolved administrations, and not MHCLG. The proposal for the LAO to own the Accounting Code therefore may appear to override the current arrangements. Any transfer of responsibility needs to ensure that consideration is given to the differing circumstances which apply within each of the devolved nations and ensure that the devolved nations have an opportunity to participate and are consulted appropriately in respect of this change.
98. Should CIPFA LASAAC maintain ownership of the Accounting Code, government must consider how they can ensure that the Accounting Code is made available for free to all local authorities and other public bodies which undertake financial reporting using the Code. The

government should also consider the availability of Code Guidance Notes at no cost, as such notes provide practical advice on accounting topics to local authorities. We are surprised that there is no mention of these notes within the current consultation and are concerned that these could remain chargeable. We recognise that the Code Guidance Notes are an important product for CIPFA, therefore consideration should be given as to how their production and secretariat costs would be covered.

99. The LAO will also need to consider how it can work with CIPFA LASAAC to progress at pace the much-needed accounts reform.

Question 14b: Are there other options relating to responsibility of CIPFA’s Code of Practice?

100. As noted in our response to Question 14a, CIPFA LASAAC could maintain ownership of the Accounting Code.

Question 15: Should the Accounting Code be freely available if it is not transferred to the LAO?

101. As previously mentioned in our response to Question 14a, we consider that it is essential that the Accounting Code is freely available to local authorities and other bodies which require it, regardless of which body has ownership. We also believe that it is important that users of financial statements, including councillors and the public are able to access the rules that underlie the accounting treatments being adopted.
102. The Accounting Code being freely available is an action to support the sector which we have regularly called for. Our [Vision for Local Audit](#) recognises this as a key action to assist the sector in delivering high-quality accounts on a timely basis.
103. As the consultation notes, ensuring use of the latest version of the Accounting Code will assist finance preparers in completing financial statements correctly, and will also allow for greater comparison between local authorities, particularly if model accounts are reformed to make them easier to understand and adopt.

Question 16: What additional support should be provided to finance teams, audit committees and elected members to develop and strengthen financial governance?

104. We believe that there are additional support mechanisms which could be provided to finance teams, audit committees and elected members to strengthen financial governance. One major area of support which is required is targeted training for finance teams, targeted workforce strategies, increased access to qualifications and CPD opportunities, as well as better management training, all of which were cited as measures which should be implemented by the LGA and CIPFA’s [Local Government Finance Workforce Action Plan](#). The report notes that on average across local authorities, £306 is spent per member of staff on training on an annual basis, while 40% of surveyed authorities did not have a finance staff training and a development plan or dedicated budget. Evidently, this is not sufficient.
105. Similar support is likely to be required for audit committees and elected members too, particularly for new committee members who may not have previous local government experience. Mandatory CPD may be beneficial for some members, particularly regarding unusual areas which exist across local government such as statutory overrides, backstop dates or value for money reporting arrangements.
106. We also concur that the importance and value of the financial reporting and auditing process should be reiterated to committee and elected members; our [response](#) to the NHS audit market study by the FRC, highlighted concerns that there is a lack of understanding regarding the value of completing timely high-quality reporting across some NHS bodies; a picture which is likely to be replicated among other areas of local government . Relevant training in this area would therefore be welcome.

107. As noted in our response to Question 14a, financial governance would also be strengthened through making the Accounting Code free to local bodies, and by ensuring that related Code Guidance Notes on key accounting topics are also freely available.
108. Consideration could also be given to the creation of a cross-government finance network; this would enable the sharing of best practice across government, allow local government employees access to a larger pool of relevant resources, and encourage a closer working relationship between the two sectors.

Question 17: How should KAP eligibility be extended further, should some categories of local audit be signed off by suitably experienced RIs (and if so, which)?

109. ICAEW believe that the requirements for local auditors should not be more burdensome than those for other sectors. Requiring a different status for signing audit reports is unique to the local government sector; other complex sectors, such as banking or insurance, permit an RI to sign the audit report.
110. The requirement for KAPs to sign the audit opinions of local government audits is an obvious barrier to entry for audit firms currently not operating in the market, as they require the provision of at least two KAPs to enter the market. The requirements only enable those auditors currently working in local audit or other public sector audit work to apply to become a KAP, preventing experienced auditors with sufficient knowledge and expertise, working on complex audits, from acting in this sector. As local audit experience does not count towards the Audit Qualification, those looking to become a KAP must obtain some corporate audit experience prior to their application, thus removing vital capacity from the system. Finally, the stringent requirements inevitably create a barrier to persuading and attracting auditors with RI status to undertake local audits, especially in the current context of local audit backlogs and disclaimed opinions.
111. The current number of KAPs – 107 – is not sustainable. While there have been measures introduced to increase this number, such as the FRC’s endorsement of CIPFA’s Diploma in Local Audit as ‘pre-approved specialist training’, it is not certain how effective these measures will be to increase overall numbers.
112. We therefore believe that, if KAP requirements are to be maintained, the eligibility criteria should be amended as follows:
- Removal of the time experience requirement for new KAPs – a principles-based approach, assessing the overall competency of a KAP application, would be much more appropriate than a prescriptive approach. Flexibility could then be provided to the Registration Committee as to whether applicants have the necessary competence and expertise required. This would also closer align KAP requirements with requirements for signing the audits of central government entities or companies, where no such time limitations on experience exist.
 - The examples of work accepted as providing relevant experience of local audits are too restrictive – core skills auditors must have such as applying professional scepticism, providing clear communication to clients, and maintaining professional competence and expertise, are common across all audits. Again, a principles-based approach assessing the overall competency and experience of a KAP applicant would be more appropriate.
 - New KAPs should not automatically be subject to a hot review of their first local audit file – we consider that aligning the requirements for applying a hot and cold review with corporate audits would be more effective, where the RSB has full discretion for the level of monitoring required for a new RI.
113. In terms of whether some categories of local audit should be signed off by suitably experienced RIs, we are of the view that if the KAP requirements must be maintained, only the most complex audits should be subject to these requirements. Thus, NHS audits and pension fund audits for example, which lack the same complexities as some larger local authority audits, should be able to be signed off by RIs. This would increase auditor capacity

significantly, allowing KAPs to focus on the most complex audits, and in the case of pension funds, allow pension experts who are RIs to complete these audits.

114. A more radical solution would be to utilise the existing register of firms which are deemed to have the appropriate competence, experience, and expertise, to complete local audits and remove KAP requirements entirely. This would then enable the firms to utilise their own quality management processes, as required under ISQM 1, to ensure the use of staff who have the relevant knowledge and experience relevant to the engagements which the firm performs. New firms looking to enter the market would then have to demonstrate that they have sufficient quality management processes in place to reduce engagement risk to an acceptably low level prior to being registered.

Question 18: Should the market include an element of public provision?

115. Yes, we think there is a role for some element of public provision within the market given the difficulties that some local bodies have had in procuring an auditor.
116. Acquiring sufficient numbers of staff to effectively act as the auditor of last resort, especially in the context of the current KAP requirements and the low number of KAPs, will be challenging. There may be a danger that resource is shifted from audit firms to the public provision provider if key personnel are acquired from those firms.
117. We agree that the reason why some of the authorities struggle to appoint auditors is because these bodies can be complex and challenging for audit firms to audit; thus, it is unlikely that the public provision provider could be a small body in this context. This adds challenge in the design and operation of such a body and is likely to mean that support from another body – perhaps an existing firm in the market, would be required, at least initially.

Question 19: If yes, should public provision be a function of the LAO?

118. We are unsure as to whether this should be a function of the LAO. As noted in our response to Question 18, operationally the public provision provider would probably have to be a larger entity to manage the more complex audits of organisations which are unable to appoint an auditor.
119. Furthermore, we believe that if the LAO were to deliver this function, there would be obvious ethical conflicts between its potential role as a standard-setter and in its role of being able to set the Code of Audit Practice. In which case, a separate body is likely to be more appropriate, with the LAO maintaining a supervisory role.

Question 20: What should the initial aim be in relation to proportion of public and private provision?

120. We do not believe that there should be a determined level of appropriate proportion of public provision for the local audit market; such provision should only be utilised as a last resort where entities are unable to appoint an auditor.
121. Focus should instead be on encouraging an increase in auditor capacity, through reforming KAP requirements and through enhancing the overall attractiveness of the work as a whole. If capacity is increased, it is likely that private provision would have sufficient resources and capability to meet the needs of the market, thus reducing the need for public provision.

Question 21: Should the Secretary of State, in consultation with the LAO and for defined periods, set an envelope within which the body could determine the appropriate proportion of public provision for the market?

122. As noted in our response to Question 20, we do not believe there should be a determined level of appropriate proportion of public provision for the local audit market.

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

123. ICAEW have regularly called for it to be mandatory for local authority audit committees to have one independent chartered accountant on board; our [response](#) to the inquiry by the LUHCC Committee into financial reporting and audit in local authorities called for this to be legislated for as soon as possible, while it is also referenced in our [ICAEW manifesto](#) published in 2024.
124. We are therefore pleased that the government is proposing to mandate audit committees to have at least one independent member for all local bodies. We believe that such a member must be suitably financially qualified, to enable them to provide councillors with relevant support and expert guidance on key financial matters.
125. We are not of the opinion that the Chair must be an independent member; however, what is important is to ensure that the committee as a whole has the relevant expertise in order to provide effective governance and oversight of the local body.

Question 23: Do you have views on the need for a local public accounts committee or similar model, to be introduced in combined authority areas across England?

126. ICAEW welcomes any measures which could be taken to strengthen effective scrutiny, the oversight of local authorities, and their management of public money.
127. There is certainly merit to the idea that a local public accounts committee be installed for combined authority areas in England. Utilisation of such a committee could enable scrutiny of public spending at a more local level, benefitting from key local knowledge on whether decisions of management are most effective for the residents for which the combined authority serves. Such a committee could also assess the impact of public spending in local areas more effectively, allowing them to provide local recommendations and to work in tandem with the audit committees of local authorities within the combined authority areas.
128. We also believe that such a mechanism could complement the work of external auditors, particularly where they are issuing public interest reports or issuing statutory recommendations to local authorities.

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

129. As previously noted in response to Question 23, we believe that such a model would generate more oversight of spending public money locally.

Question 25: How would the creation of such a model impact the local audit system and the work of local auditors?

130. We believe that such a model should not impact the local audit system or the work of local auditors negatively; it should instead look to complement the work of local auditors by providing further oversight and effective scrutiny of the bodies which they audit. This should only be beneficial as more localised knowledge can be shared, and they could work together to effectively assess and oversee value for money arrangements for example.
131. Such a model would also be complementary to audit committees and the role they play in providing effective governance.

Question 26: Do you agree that the MLA threshold should be increased?

132. Yes, we agree that the MLA threshold should be increased. The threshold has not been updated since the inception of the Local Audit (Professional Qualifications and Major Local Audits) Regulations 2014. As a consequence, more local authorities and NHS bodies are subject to regulatory oversight by the FRC.

133. An appropriate increase is likely to match inflation over the previous ten-year period since the laying of the MLA thresholds in legislation; this should ensure that the number of bodies classified as an MLA returns to a similar level as that in 2014.
134. However, we do not believe that the MLA thresholds should be increased beyond an inflationary adjustment; £500m in a year is a substantial amount of public expenditure in our view, and it is imperative that public expenditure is subject to appropriate levels of regulatory oversight.
135. Many of the issues that arise with becoming an MLA, such as the perceived additional regulatory risk, and challenges for the PSAA in allocating auditors for these local authorities, would also be mitigated should issues be resolved which are currently systematic across the system. For example, it would be much more straightforward to appoint an auditor should overall capacity in the market be enhanced, especially if fewer local bodies exceed the MLA thresholds.
136. Further support could be provided to MLAs, and their auditors, which may be considered likely to breach the MLA threshold for the first time. This would better prepare them for the enhanced regulatory regime and provide greater understanding as to why increased levels of public expenditure require stronger levels of scrutiny. We are pleased that the consultation recognises this as an immediate need.
137. Consideration could also be given to removing the actual threshold amounts from legislation and the legislation referring to where these thresholds have been set instead, enabling inflationary adjustments to be made to the thresholds in future years without requiring legislative changes.
138. We also agree that a review of the regulatory framework for MLAs may be beneficial – in the current system where auditors are in short supply and the overall system needs support to progress reform, a more positive regulatory regime which focuses on supporting audit firms to drive improvement and increase audit quality may be more effective. Audit firms should not be afraid of the regulator, and enforcement action should be considered to be an action of last resort where there are serious concerns which are identified with the overall quality of audit work undertaken.

Question 27: Do you agree that some local bodies should be declared exempt from the regulatory focus of an MLA? For example, should Integrated Care Boards be exempt?

139. No, we do not agree with the suggestion that some local bodies should be exempt from the regulatory focus of an MLA. We believe that public bodies who incur appropriately high levels of expenditure should be subject to appropriate levels of regulatory scrutiny, although as previously discussed in our response to Question 26, ensuring that audit firms feel positively supported by the regulator is imperative for such an approach to remain successful.
140. We also believe that exempting some bodies could create a perception that certain areas of local government are less risky than other areas; this is not necessarily the case. The overall level of audit risk between entities differs greatly on an entity-by-entity basis. It is not purely derived by the overall value of transactions undertaken but is derived from the auditor's assessment of risks of material misstatement at the overall financial statement level, and risks of material misstatement at the assertion level for individual classes of transactions, account balances and disclosures.
141. While risks at the financial statement level relate pervasively to the financial statements as a whole, those at the assertion level are driven by the level of inherent risk and control risk. These concepts are defined by ISA (UK) 315 as follows:
- Inherent risk - 'The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls',
 - Control risk – 'The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material, either

individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's system of internal control'

142. As such, while the level of expenditure is a driver which may increase the level of inherent risk, inherent risk is also driven by other factors, including the complexity of the balance, how subjective it is, whether it has changed from the prior year, whether the balance is uncertain, or whether it is susceptible to misstatement as a result of management bias or other risk factors. Control risk on the other hand, may be higher where it is assessed that the entities control environment is not operating effectively to mitigate against the risks of material misstatement.
143. Therefore, inherent and control risk could present high levels of audit risk at any entity, including those which may be perceived to be less complex than the largest local authorities. Thus, we consider it more appropriate to ensure all local bodies remain in scope of the increased MLA regulatory regime.

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

144. Yes, we agree that the threshold for which an authority is defined as a smaller authority should be increased. Similarly to our view regarding the MLA thresholds, we concur that £6.5m over a three-year period is already a significant amount of public expenditure, thus any increase should likely reflect inflation over the previous ten-year period. As with applying an inflationary increase to the MLA threshold, such an approach should ensure that a similar number of local bodies are classified as a smaller authority as in 2014 when the thresholds were first set.
145. We would not support a greater increase to the thresholds than an inflationary one, because many of the issues which exist currently, such as difficulties in appointing an auditor when becoming subject to a full audit, should be mitigated by appropriate reform across the system which increases auditor capacity, and which reduces the burden of completing such an engagement.
146. Smaller authorities which may be at risk of moving between thresholds, particularly where they are becoming subject to a full audit for the first time, need to be appropriately supported to manage this transition. We therefore believe that the LAO could consider providing adequate training to authorities in this position, regarding the purpose and importance of a full audit and highlighting the key financial reporting and auditing requirements to which these authorities will be subject.

Question 29: Do you agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation?

147. Yes, in line with our responses to Questions 26 and 28, we agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation.

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

148. We believe that the accounting and limited assurance regime for smaller authorities is mostly effective and echo the [view](#) of the National Association of Local Councils (NALC) that any changes made should build upon the successes within the system.
149. For example, NALC notes that all smaller authorities have an auditor appointed; highlighting that the contract area system which is managed by the SAAA is working effectively in this regard, and for the 2023/24 audit year, 96% of limited assurance reviews were completed by 30 September 2024.
150. However, smaller authorities could benefit from some additional support to complete their Annual Governance and Accountability Return, with only 45% (4,359) managing to meet the 30 June 2023 deadline for submission for the 2022/23 audit year according to the [SAAA](#). Furthermore, 31% of opinions issued by in 2022/23 by 31 December 2023 were qualified by

the auditor for not fully meeting the statutory requirements, further indicating how support for smaller authorities may be beneficial to improve the reporting process.

151. Increasing the thresholds in line with inflation is also likely to improve the overall reporting process, with fewer authorities becoming subject to a full audit, and fewer authorities moving between the thresholds which has caused issues in recent years.

Question 31: What additional support, guidance or advice do local bodies and/or auditors need for future statutory deadlines (including backstop dates) for the publication of audited accounts?

152. The importance of completing a high-quality, timely audit will need reiterating across the sector as future statutory deadlines are upcoming and subsequently passed; this is likely to be increasingly important as the final backstop date approaches in 2027/28, as it is imperative that authorities continue to publish draft accounts and supply high quality working papers in suitable time beyond this date.
153. Local bodies and auditors are also likely to require additional guidance, similar to that already issued by the NAO's Local Audit Reset and Recovery Implementation Guidance, CIPFA's recent bulletins, and the FRC's guidance on modified opinions, as the recovery phase progresses. Such guidance will have to manage emerging issues which are identified and be designed with the view of continuing to encourage timely financial reporting and progressing the rebuild of assurance across the system.
154. As also noted in our response to Question 16, training which aims to improve the overall financial literacy of councillors and other relevant stakeholders would also be welcome, to ensure that they sufficiently understand why backstop dates have been implemented and to ensure they have the capability to provide appropriate challenge to management where necessary.

Question 32: Do you think that financial reporting and/or auditing requirements should be amended for a limited period after the backlog has been cleared and as assurance is being rebuilt, to ensure workload and cost are proportionate?

155. No, we do not agree with the suggestion that financial reporting and auditing requirements should be amended for a limited period after the backlog has been cleared. As noted in our previous responses, it is imperative that appropriate long-term solutions are developed which meet the requirements of financial reporting and auditing standards but are also proportionate to the capacity of the sector and proportionate in a local government context.