

## **Local Audit Strategy Consultation Draft Response on behalf of Spelthorne Borough Council**

**Q1: Do you agree the LAO should become a new point of escalation for auditors with concerns?**

Yes welcome one central point of escalation. Moving away from seven organisations with oversight of local audit is welcomed. Resolving issues with past external auditors around timely responsiveness and engagement has been frustrating. We would hope this would be a more effective system at resolving issues in the bud.

It is really important that the initial focus of the LAO is on the core local authority bodies, any widening of scope should only be done once the local audit market has been stabilised and the backlog cleared

**Q2: Do you agree relevant issues identified should be shared with auditors, government departments and inspectorates?**

Yes.

**Q3: Should the LAO also take on the appointment and contract management of auditors for smaller bodies in the longer term? If so, when should responsibilities transfer from SAAA?**

Yes, as per 1 above, once there is appropriate capacity.

**Q4: Should the LAO oversee a scheme for enforcement cases relating to local body accounts and audit?**

Not sure that we are in a position to comment at this stage. If the LAO has power to require changes to the accounts, independent governance arrangements are vital (in fact the document is rather silent on how the new body will be governed and its independence assured). Section 151 officers will still have a professional duty to sign off the accounts which could be at odds with an LAO accounting directive at individual authority level. There was a national issue around NHS accounts a few years ago with NHS England instructing accounting officers that went against best practice.

**Q5: How could statutory reporting and Public Interest Reports be further strengthened to improve effectiveness?**

No comment

**Q6: 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?**

**Q7: Should the LAO own the register of firms qualified to conduct local audits?**

Yes

**Q8: 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?**

Advisory notices beyond current would allow creep of scope and may be subject to significant political interference and erode local democracy and local authorities position as self determining bodies. This goes back to clarity over independence of governance of the LAO.

**Q9: What are the barriers to progressing accounts reform?**

As the report highlight there are a range of issues relating to capacity, coordination and complexity. There are numerous barriers including:

- Recruitment and retention of skilled financial staff working for councils
- The above may not be assisted by the significant amount of restructuring about to happen across two tier England
- Recruitment and retention of audit staff interested in working in local audit
- Improving the number of key audit partners
- Overcoming effects of the backlog
- Ensuring effective training for finance staff, auditors and audit committee members.
- Simplifying the statement of accounts to focus on the fundamentals
- Simplifying oversight of local audit

**Q10: Are there structural or governance barriers to accounts reform that need to be addressed?**

Yes moving away from 7 oversight bodies will help.

**Q11: Should any action to accounts reform be prioritised ahead of the establishment of the LAO?**

Both are important and should be done in parallel.

**Q12: Are there particular areas of accounts which are disproportionately burdensome for the value added to the accounts?**

The pension fund accounting being separated would help but the biggest gain would come from IFRS pension accounting being applied at fund level with individual authority members accounting on a defined contribution basis – this would add to clarity as the liabilities and assets relating to admitted bodies would be complete and in one place. This would be more efficient in having one set of auditors asks the questions of the administrating body for the fund rather than duplicating the process across members of the fund.

**Q13: 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?**

No view

**Q14a: Should the LAO adopt responsibility for CIPFA's Code of Practice on Local Authority Accounting?**

No

**Q14b: Are there other options relating to responsibility of CIPFA's Code of Practice?**

No suggestions

**Q15: Should the Accounting Code be freely available if it is not transferred to the LAO?**

Yes, however, if the LA Code is transferred and made free at source, sufficient resources should be made available to ensure quality debate about changes with a wide range of stakeholders and a mechanism put in place to ensure best practice is maintained.

**Q16: What additional support should be provided to finance teams, audit committees and elected members to develop and strengthen financial governance?**

Clear, timely guidance (at affordable price). Training for audit committee members. Facilitation of sharing best practice amongst practitioners.

**Q17: How should KAP eligibility be extended further, should some categories of local audit be signed off by suitably experienced RIs (and if so, which)?**

Would help improve resilience if more individuals were eligible to act as Key Audit Partners.

**Q18: Should the market include an element of public provision?**

Yes, in order for the new system to be effective the LAO needs to be the auditor of last resort with a direct ability to support capacity in the market and to train auditors.

It would take an effort to recreate an element of public provision.

**Q19: If yes, should public provision be a function of the LAO?**

Yes but only as a last resort.

**Q20: What should the initial aim be in relation to proportion of public and private provision?**

Majority of provision private

**Q21: 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**

Yes

**Q22: Do you think that the Chair of an audit committee should be an independent member?**

No, we believe that councillors are the ultimate decision makers in the council, and that the chair should be a member of that body. Proper and correct audit is councillors' responsibility alongside the S151 Officer, and councillors are ultimately responsible to the residents, who can get rid of them via the ballot box. The chair of the committee signs off the accounts, and we believe the accounts should be signed by a councillor. An independent member would have limited accountability (they are not elected) and limited ability to drive any changes requested by the committee. Having an independent member on the committee is very valuable, and very much welcome the increased emphasis on this being a statutory requirement.

**Q23: Do you have views on the need for a local public accounts committees or similar model, to be introduced in strategic authority areas across England?**

No view. Suggest in two tier areas of England restructuring should be completed first. Perhaps could be linked to Combined Mayoral Authority areas.

**Q24: Would such a model generate more oversight of spending public money locally?**

No view

**Q25: How would the creation of such a model impact the local audit system and the work of local auditors?**

No comment, although have concerns about capacity.

**Q26: Do you agree that the MLA threshold should be increased?**

No view, although account needs to be taken with the creation in the next two to three years of a number of unitaries with populations of 500,000 there will be a significant increase in the number of authorities with population in excess of this.

**Q27: 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?**

No view

**Q28: Do you agree that smaller authorities' thresholds should be increased?**

No view

**Q29: Do you agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation?**

Would seem sensible.

**Q30: Are there other changes that would improve the accounting and limited assurance regime for smaller authorities?**

No view

**Q31: 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?**

Guidance needs to be issued on a timely basis sufficiently ahead of year end closure process. Sharing of good practice across both auditors and auditees important.

**Q32: 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**