



Agenda Item

**FOR PUBLICATION**  
**DERBYSHIRE COUNTY COUNCIL**  
**AUDIT COMMITTEE**  
**22 March 2022**

**Report of the Interim Director of Finance & ICT**

**Update from Government on Measures to Improve Local Audit Delays**

**1. Divisions Affected**

1.1 County-wide.

**2. Key Decision**

2.1 This is not a Key Decision.

**3. Purpose**

3.1 To provide Audit Committee with details of a recent letter to local authorities giving an update on action the Government is taking to help tackle audit delays.

**4. Information and Analysis**

4.1 On 18 January 2022, the Department for Levelling Up, Housing and Communities (DLUHC) wrote to all Section 151 (S151) Officers and Chief Executives in England, to give an update on action the Government is taking to help tackle audit delays.

- 4.2 The timely completion of local audit is a vital transparency method for the taxpayer and for sustaining public confidence in local democracy more broadly. For the timeliness of local audit to improve from the current situation, a collaborative approach to address the issues is required from across the whole system.
- 4.3 A new package of measures has been announced to signal the Government's commitment to the local audit market and to help support improved timeliness within the local audit market. DLUHC has worked with key partners across the local audit system to agree these measures.
- 4.4 A copy of the DLUHC Letter on Local Authority Audit is attached at Appendix Two to this report. Some of the key measures committed and highlighted by DLUHC in the letter to local authorities include:
- Providing councils with £45m of additional funding over the course of the next Spending Review period (three years commencing 2022-23) to support with the costs of strengthening their financial reporting and increased auditing requirements.
  - Strengthening training and qualifications options for local auditors and audit committee members.
  - Reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils.
  - Extending the 2021-22 audit deadline to 30 November 2022, and then 30 September until 2027-28.
- 4.5 In response to reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, DLUHC asked the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) to consider ways in which the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) may help in improving this position. On 3 February 2022, CIPFA/LASAAC published 'Emergency proposals for an update of the 2021-22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022-23 Code', which is the subject of a further report to this meeting.
- 4.6 The full publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. Details of all the measures DLUHC has committed are attached at Appendix Three to this report. These measures will help to ensure that audit provides transparency and accountability in local councils.

4.7 DLUHC will continue to work closely with key partners across the audit sector, including local bodies and audit firms, to deliver on the measures, in addition to outstanding commitments it made in its response to the Redmond Review. As part of this work, DLUHC will be publishing its response to the technical consultation it carried out in Summer 2021, which will provide further detail on the future of systems leadership for local audit. DLUHC's consultation response will also provide an update on a number of these measures.

## **5. Consultation**

5.1 No consultation is required.

## **6. Alternative Options Considered**

6.1 Not Applicable – It is prudent and responsible practice for this recent Government letter on Measures to Improve Local Audit Delays to be brought to the attention of Audit Committee.

## **7. Implications**

7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

## **8. Background Papers**

8.1 Papers held electronically by Financial Strategy Section, Financial Management & Strategy, Finance & ICT Services.

## **9. Appendices**

9.1 Appendix One – Implications.

9.2 Appendix Two – DLUHC Letter on Local Authority Audit.

9.3 Appendix Three - DLUHC Commitments - Measures to Improve Local Audit Delays.

## **10. Recommendation**

That Audit Committee:

10.1 Notes details of a recent letter to local authorities giving an update on action the Government is taking to help tackle audit delays.

**11. Reasons for Recommendations**

11.1 It is prudent and responsible practice for this recent Government letter on Measures to Improve Local Audit Delays to be brought to the attention of Audit Committee.

**Report Author:**  
Eleanor Scriven

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**This report has been approved by the following officers:**

<p><b>On behalf of:</b> Interim Director of Finance and ICT Director of Legal Services and Monitoring Officer</p>	
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## **Implications**

### **Financial**

1.1 As outlined in the body of the report.

### **Legal**

2.1 None.

### **Human Resources**

3.1 None.

### **Information Technology**

4.1 None.

### **Equalities Impact**

5.1 None.

### **Corporate objectives and priorities for change**

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

### **Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.

**DLUHC Letter on Local Authority Audit**



Department for Levelling Up,  
Housing & Communities

**Catherine Frances**  
Director General, Local Government,  
Strategy & Analysis  
**Department for Levelling Up, Housing  
and Communities**

2 Marsham Street  
London SW1 4DF

To: all Section 151 Officers in England  
Cc: all Chief Executives in England

18 January 2022

Dear colleague,

Further to my letter of 22 November 2021, which noted the government's concern at the increasing delays to the completion of local audits, I am writing to you and the relevant audit firms today to provide an update on action the government is taking to help tackle audit delays.

As I outlined in my previous letter, the timely completion of local audit is a vital transparency method for the taxpayer and for sustaining public confidence in local democracy more broadly. For the timeliness of local audit to improve from the current situation, a collaborative approach to address the issues is required from across the whole system.

That is why my Department has worked with key partners across the local audit system to agree a new package of measures to help get the timeliness of local audit back on track. I can announce that we have now published full details of these measures online to signal publicly our commitment to the local audit market: <https://www.gov.uk/guidance/measures-to-improve-local-audit-delays>

I am pleased that this document represents actions for all elements of the system, but some of the key measures committed to that may be of most interest include:

- providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
- strengthening training and qualifications options for local auditors and audit committee members;
- reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils; and
- extending the 21/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.

I wanted to thank you again for the crucial role you play in ensuring the transparency and accountability of local government for local taxpayers. We hope that the measures we have announced will help support improved timeliness within the local audit market. We will continue to engage with local authorities and audit firms to understand the impact of the new measures and work together as we continue to implement the recommendations from the Redmond Review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Frances', followed by a long horizontal flourish.

**CATHERINE FRANCES**

## **DLUHC Commitments - Measures to Improve Local Audit Delays**

### **Section 1: Measures relating to audit firms and timely completion of audit**

- Financial Reporting Council (FRC) to publish updated Key Audit Partner (KAP) guidance by Spring 2022, including new routes for an experienced Registered Individual to become a KAP.
- Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants.

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

- DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements.
- CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory.
- DLUHC to provide for a number of targeted training events for audit committee chairs via the Local Government Association sector grant.

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

- National Audit Office (NAO) rolling over of amendments to allow for altering the timing of elements on the Value for Money (VfM) arrangements work and enable more focus on fully delivering opinions on the financial statements.
- CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 2022-23 Accounting Code and comply with International Financial Reporting Standards (IFRS) and statutory accounting principles.
- HM Treasury (HMT) to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 2022-23 onwards.
- The Government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 2021-22.
- Delaying implementation of standardised statements and associated audit requirements.



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

- Public Sector Audit Appointments (PSAA) to progress their proposed procurement strategy for the next round of local audit contracts from 2023-24.
- Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 2021-22 accounts, then 30 September for six years, beginning with the 2022-23 accounts (until 2027-28).
- NAO to prepare for a re-laying of the Code of Audit Practice 2020 in Parliament, so that it will apply for the whole of the next appointing period.
- Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications.