



## Local Audit Liaison Committee

29 July 2021, 12:30 – 2:00

### Virtual Meeting

#### Meeting Note

#### Attendees

|                    |  |
|--------------------|--|
| Catherine Frances  | Director General for Local Government and Public Services, MHCLG (Chair)           |
| Rob Whiteman       | Chief Executive, CIPFA   |
| Karen Sanderson    | Director Public Financial Management, CIPFA  |
| Mark Babington     | Executive Director of Regulatory Standards, FRC                                    |
| Gareth Davies      | Comptroller and Auditor General, NAO   |
| Abdool Kara        | Executive Leader, Local Services, NAO  |
| Mike Newbury       | Director Audit, NAO  |
| Steve Freer        | Chairman, PSAA   |
| Tony Crawley       | Chief Executive, PSAA  |
| Julie Schofield    | Senior Manager, PSAA   |
| Alison Ring        | Public Sector Director, ICAEW  |
| Dennis Skinner     | Head of Improvement, Local Government Association                                  |
| Nick Munn          | Assistant Director, Business Frameworks, BEIS                                      |
| Michael Sunderland | Deputy Director, Government Financial Reporting, HMT                               |
| Thea Goodsell      | Local Government and Reform Team, HMT  |
| Robert White       | Head of Finance Transformation, DHSC   |
| Ian Ratcliffe      | Assistant Director of Sector Financial Accounting, NHS England and NHS Improvement |
| Carole Tidmarsh    | Policy Advisor, DEFRA  |
| Siobhan Jones      | Director, Local Government and Communities, MHCLG                                  |
| Max Soule          | Deputy Director, Local Government Stewardship, MHCLG                               |

#### Welcome/Introductions

1. The Chair welcomed members to the meeting, and thanked members for agreeing to attend.

#### Proposed Terms of Reference

2. MHCLG explained the Terms of Reference, discussing the objectives, remit and scope of the Committee. It was agreed that it was right that the Liaison Committee considered all elements of local audit including health, but that it was appropriate that accountability remained with MHCLG, given MHCLG's ownership of the relevant legislation. Members agreed with the proposed Terms of Reference, and also that they were happy for the minutes to be published for transparency and public interest purposes. Once established, the new system leader will chair the Liaison Committee as the senior stakeholder body acting as system coordination. In the interim period, MHCLG will chair and provide secretariat for the Liaison Committee. As such, the meeting minute produced by MHCLG reflects the discussion of this senior stakeholder forum (ie not government) although comments or questions from MHCLG or departments are attributed.



3. Members agreed and are happy for audit firms to attend future meetings, where it was appropriate, to continue the previous process from FLARE.
4. The interaction between the Liaison Committee and the Local Audit Monitoring Board was discussed, and it was noted that LAMB is focused on how stakeholders will consider delivery of elements of the response to the Redmond Review, whereas the objective of the Liaison Committee was for senior stakeholders to take a strategic view across the local audit system.

#### Procurement approach and role of broader system in supporting

5. PSAA shared the results of their recent consultations on their draft opt-in prospectus for local bodies and a market engagement questionnaire to understand the views of potential local audit suppliers. They led a discussion on how they wish partners to be involved in supporting the successful delivery of the new procurement round.
6. PSAA noted that these exercises had received positive engagement, with over 160 attendees at five webinars, and responses from 106 eligible bodies, 7 national stakeholders and 10 audit suppliers.
7. There had been a positive response to many aspects of the consultations, including from the market for the proposed procurement aims and objectives, procurement route and proposal to establish a dynamic purchasing system in parallel to the main procurement for future use. Eligible bodies agreed the proposals to prioritise new longer-term contracts, and a five-year opt-in period and contract length.
8. There was also agreement that the next procurement needed to encourage market stability, and an increased emphasis on quality over cost in the next procurement evaluation methodology, which reflected recent similar exercises. The key message from local bodies was that they would expect to see increased quality as a result of this, including on timeliness.
9. PSAA felt there was a relatively low risk of large numbers of local bodies not opting into their scheme, based on factors including the LGA's endorsement. Local bodies retained the right to appoint their own auditor, but they needed to make informed decisions based on the risks. CIPFA's engagement supported PSAA's findings and all members agreed to communicate the benefits of opting-in to local bodies.
10. They were more concerned about insufficient participation from the market, and significant action was required from all stakeholders to address issues identified in the consultations, given potential barriers and capacity issues. Prices would partly depend on this action. Stakeholders agreed to work together to understand the extent of potential audit costs and consider how these might be met.



11. All members agreed to emphasise the importance of improving audit timeliness. The FRC agreed to support the development of the approach to quality evaluation, while the ICAEW agreed to help undertake discussions with potential new entrants about possible support. Stakeholders also agreed to return at the next discussion with an update on work to support capacity and capability, including on Key Audit Partner guidance and training and qualifications.
12. MHCLG and other departments noted that early indication of policy direction of both on local audit and wider audit reforms would inform audit firms' decisions, and the NAO and FRC agreed to work together to provide clarity on the future direction of the Code of Audit Practice.
13. Updates from different organisations Stakeholders discussed ongoing issues with timeliness, and that these were continuing to be severely affect by COVID, as well as other factors, but that a regulatory drive on audit quality in recent years meant that timeliness was low on the agenda of audit firms, and there was a risk that local audits were being deprioritised compared with other types of audit.
14. Stakeholders agreed to look at whether there was further action that could be taken to improve timeliness, as part of a focused discussion at the next Liaison Committee meeting in September.
15. CIPFA provided an update on their work relating to the local government accounting code, and that they were lined up to work with MHCLG on the standardised statements of service information and costs.
16. MHCLG updated on the *Local Audit Framework: technical consultation* that went live on 28 July, covering system leader proposals, and other Redmond Review commitments on audit committees, capacity and capability and smaller bodies, building on the work of Local Audit Monitoring Board working groups. MHCLG had also published two consultation responses, on appointing person regulations and allocating £15m to local bodies. Funding allocations were published alongside this.
17. BEIS updated that they were currently in the process of analysing consultation responses for their *Restoring trust in audit and corporate governance: proposals on reforms* consultation ending 8 July 2021. They will be working closely with MHCLG later in the year taking into account the results of their current consultation.

#### AOB

18. The Chair thanked members for their input and asked if there was any other business. The meeting was drawn to a close. The next meeting will take place 21 September 2021, 14:00-15:30.