

Local Audit Liaison Committee

11 October 2022 13:00-14:30

Virtual Meeting

Meeting Note

Attendees

Catherine Frances	Director General, Local Government, Resilience and Communities, DLUHC (Chair)
Siobhan Jones	Director, Local Government Policy, DLUHC
Gareth Davies	Comptroller and Auditor General (C&AG), NAO
Abdool Kara	Executive Director, NAO
Neil Harris	Director of Local Audit, FRC
Sarah Rapson	Executive Director of Supervision, FRC
Michael Sunderland	Deputy Director, Government Financial Reporting, HMT
Matt Allen	Local Government and Reform, HMT
Steve Freer	Chairman, PSAA
Tony Crawley	Chief Executive, PSAA
Rob Whiteman	CIPFA
Sarah Sheen	Technical Manager, Local Government Financial Reporting, CIPFA
Oliver Simms	Manager, Public sector Audit and Assurance, ICAEW
Dennis Skinner	Head of Improvement, Local Government Association
Alan Finch	Principal Adviser, Finance, LGA
Nick Munn	Assistant Director, Business Frameworks, BEIS
Jennifer Nichols	DHSC
Eva Siwiak-Jaszek	Section Head DHSC Annual Report, DHSC
Tony Grimshaw	Home Office
Rachel Wilsher	DLUHC
Radhika Sriskandarajah	Deputy Director, LG Performance, DLUHC
Matt Hemsley	DLUHC
Elizabeth Parckar	Head of Local Audit, DLUHC
Hanan EIOMrani	DLUHC
William Hannam	DLUHC
Paulette Farsides	DLUHC
Joe Saffer	DLUHC

Welcome and introductions

1. Apologies: Mike Newbury (NAO), Alison Ring (ICAEW) and Matt Cook (DEFRA).
2. The Chair welcomed all members and thanked them for their attendance. The Chair welcomed three new committee attendees:
 - a. Neil Harris, Director of Local Audit, FRC

- b. Sarah Rapson, Executive Director of Supervision, FRC
- c. Elizabeth Parckar, Head of Local Audit, DLUHC

Minutes and actions from previous meeting

- 3. DLUHC noted two actions from the previous meeting. These were:
 - a. Greater detail of system leader functions. This would be covered in a later agenda item.
 - b. The establishment of a timeliness working group. It was explained that, to address ongoing concerns surrounding audit delays, the Department had established a timeliness working group to pick up previous discussions on this issue. Discussions to date had noted that more evidence on causes might be helpful and members have been asked for contributions by the end of October. A further meeting was planned before the end of the year.
- 4. The Chair asked whether minutes from the previous meeting could be confirmed as accurate. A member noted they had raised one point by email which would be picked up.

System leadership

- 5. The FRC presented a paper on local audit shadow system leader functions, produced jointly by the FRC and DLUHC. This paper provided an overview of the key areas of responsibility as shadow system leader, which will be outlined in a draft Memorandum of Understanding (MoU) between the FRC and DLUHC. It also contained a list of the activities that the FRC and DLUHC will jointly manage during the period that shadow system leader responsibilities transition to the FRC, alongside an overview of the activities undertaken by the FRC since the Director of Local Audit commenced their role in September 2022. It was stated that the FRC expect the transfer of shadow system leader functions to commence in Q1 2023.
- 6. In discussion the following points were made:
 - a. It was queried as to whether the Code of Audit Practice was included within the areas of responsibility. The FRC confirmed the Code did fall within one of these areas.
 - b. It was queried as to whether the system leader would ensure consistency of approach in terms of auditors' treatment of transactions.
 - c. A statement was made that a key responsibility of the system leader would be identifying the priorities for local audit. It was asked how the system leader would take financial reporting of local bodies into consideration as part of this and asked how the planned Technical Advisory Service would interact with the role of the system leader.
 - d. It was questioned whether the use of 'coordinated' within the areas of responsibility underplayed the need for the system leader to actively lead that activity. The need to engage with Chief Financial Officers to emphasise the important role they play in the system was further noted.
 - e. It was stated that clarity was needed regarding the relationships between bodies in the local audit system and related interconnections within the framework. It was also queried whether the reporting function would include aggregating the outputs of local audit.

- f. The need for consistency in the local audit system was echoed, and it was further added that a key responsibility of the system leader was to make an assessment of what actions needed prioritisation.
- g. The need for the system leader to be visible and outward facing was noted.

7. The Chair thanked all participants for the helpful discussion and noted that this would assist the FRC and DLUHC as the drafting of the MoU continues.

Action: Share the draft MoU with Liaison Committee members before it is finalised.

Procurement

- 8. PSAA gave an update on its [recent procurement](#). The PSAA has secured sufficient capacity for the next appointing period spanning the audits from 2023/24 to 2027/28.
- 9. The committee welcomed the update that capacity had been secured for the next appointing period. The discussion noted the increased fees and the impact that might have on local bodies. However it was also noted that this was in the context of wider sector increases in fees. The Committee agreed that it would be important to continue to reiterate the value of local audit to both preparers and users of the accounts. It would also be helpful to ensure that new entrants to local audit were given the necessary support. PSAA explained that they had processes in place to secure additional capacity if necessary.

Action: DLUHC to provide the committee with an update on the whole of the programme to enable consideration of a more focused set of actions

Infrastructure assets

- 10. CIPFA provided an overview of the current situation with regard to Infrastructure Assets. A temporary solution to the issue consists of two parts and would be delivered via amendments to the Local Authority Accounting Code. The proposed solution is still under consideration by the Financial Reporting Advisory Board (FRAB). It was stated that it was important to recognise that any solution, whether statutory or otherwise, would not necessarily prevent all qualifications.
- 11. CIPFA are developing a longer-term solution and have developed a number of potential options with a proposed timeline for implementation.

Standardised statements

- 12. A standardised statement of service information and costs was a recommendation of Sir Tony Redmond in his [2020 review](#). In its response to the Redmond Review, the Government committed to work with CIPFA to implement this recommendation. However, CIPFA noted that last year, the Government decided to pause the introduction of standardised statements due to concerns that the additional work for auditors and accountants to produce the statement would exacerbate the ongoing delays local audit completion. CIPFA stated that they had notified DLUHC that they were willing to resume work on the standardised statement and would begin to consider possible options for delivery.

HMT thematic review of valuation of non-investment assets

13. HMT stated that work was continuing on its thematic review. HMT confirmed that the review was not specifically looking at networked assets and noted that all of CIPFA's proposed long-term solutions for the infrastructure asset issue involved continuing to revalue networked assets.

AOB

14. CIPFA noted that the updated [position statement for audit committees](#) had been issued.
15. Potential dates for the next committee will be circulated in due course. The Chair thanked participants for their input. The meeting was drawn to a close.