



Financial Reporting Council

Perspectives on local audit system leadership

Neil Harris, Director of Local Audit, 30th March 2023

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Local Audit system leadership

The case for reform



Local Audit system leadership

What is expected of the FRC

Becoming the system leader for local audit ahead of and following ARGA

Next steps on the journey throughout 2023

- **Agreement of memorandum of understanding with DLUHC** – published 2 March 2023. Five key areas of responsibility – leading a coherent and consistent policy response; bolstering competition, capability and market supply, facilitating stronger governance, overseeing entire quality framework and annual reporting.
- **Building our capacity and capability for the role** – recruited Deputy Director and individuals in competition and communications. Expect to need a further six posts for system leader functions, currently recruiting for senior policy positions. Will appoint a dedicated NED and Advisory Panel member with expertise in Local Audit. Our annual AQR activity will continue but may expand over time to address system priorities.
- **Chairing the Liaison Committee of senior local audit stakeholders** – the membership, terms of reference and programme management will be revisited. Importance of this Committee being a decision making forum.
- **Setting out our position as shadow system leader** – using publications, webinars, articles and annual reporting to set out our views, recommendations, how we will work with stakeholders across the system and operate dual hats (system partner and regulator).

Local Audit system leadership

Emerging views on priorities

Our provisional views on what the local audit system needs to focus on and achieve together

Short term – address the backlog and improve timeliness of financial reporting. Flush out the current position, significant concerns with appropriate levers and consequences. Understand whole system risk.

Short term – a joined up, holistic view on realistic financial reporting and audit timetables, expectations before the new PSAA contract comes into effect. Understand NHS issues and interdependencies

Short term – maximising opportunities that exist for more proportionality in local audits ahead of medium to longer term reforms. Support new entrants to the market (Scalebox)

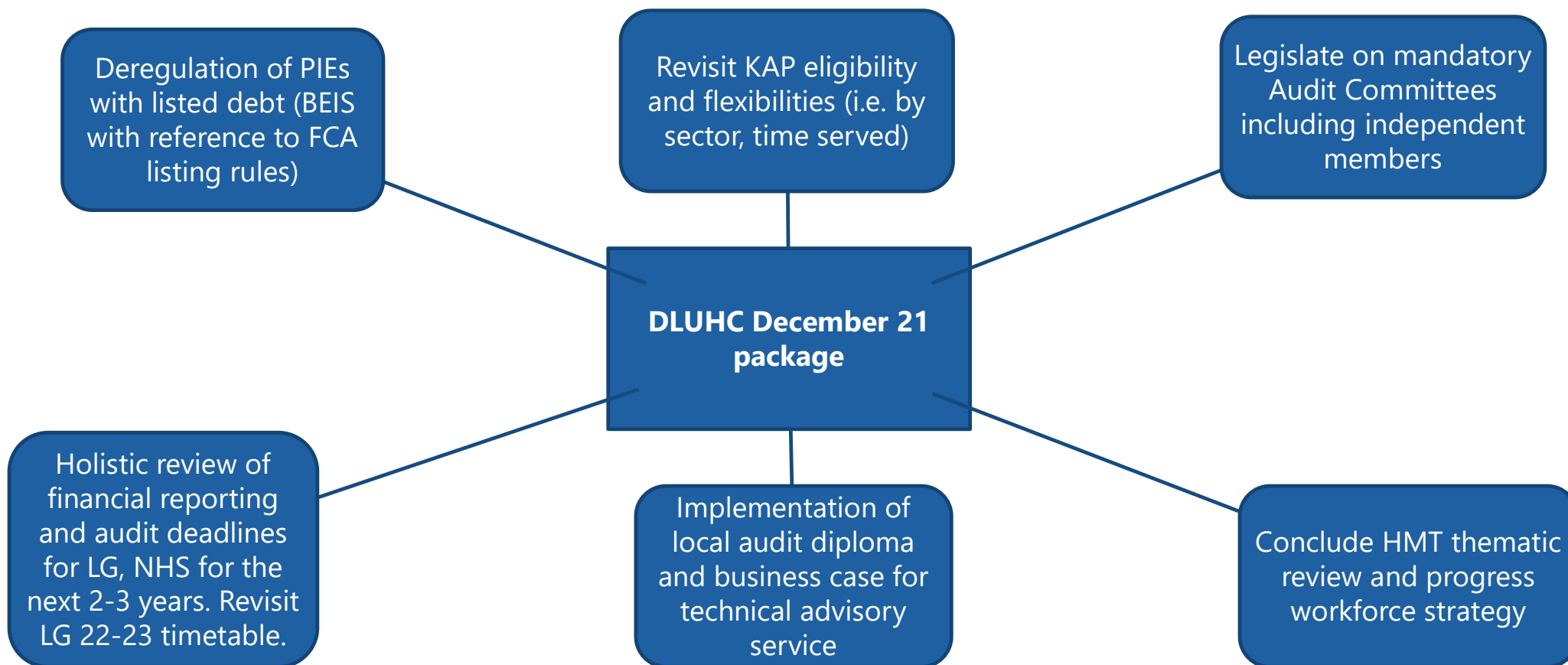
Medium term – a workforce strategy that improves the attractiveness and prestige in the local audit and finance profession.

Medium term – changes to accounting and audit frameworks which promote high standards of financing reporting and audit in the public interest

Long term – roadmap to secure sustainable reforms underpinned by an agreed vision and purpose of financial reporting and audit. Readiness for the next Local Government audit procurement round.

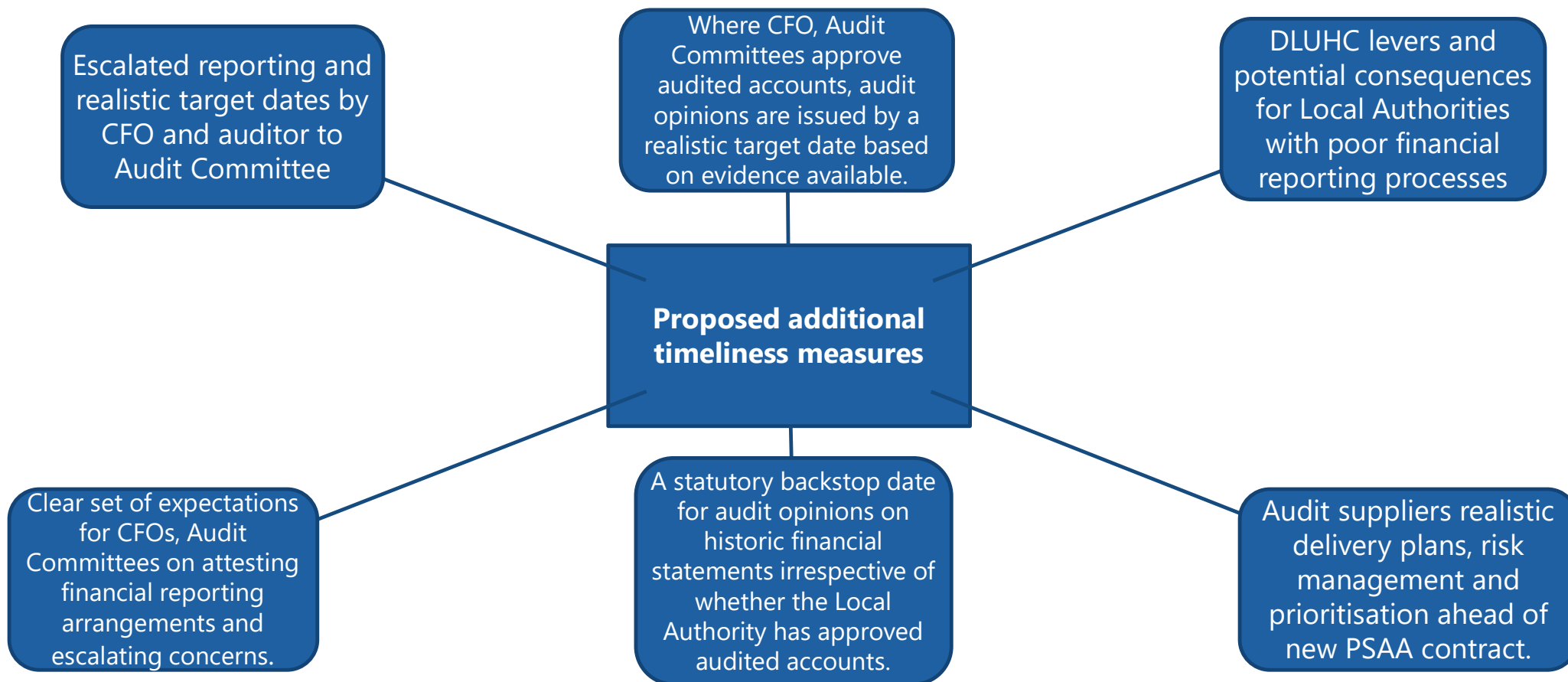
Local Audit system reforms: Reviewing the December 2021 package

Further measures to pursue



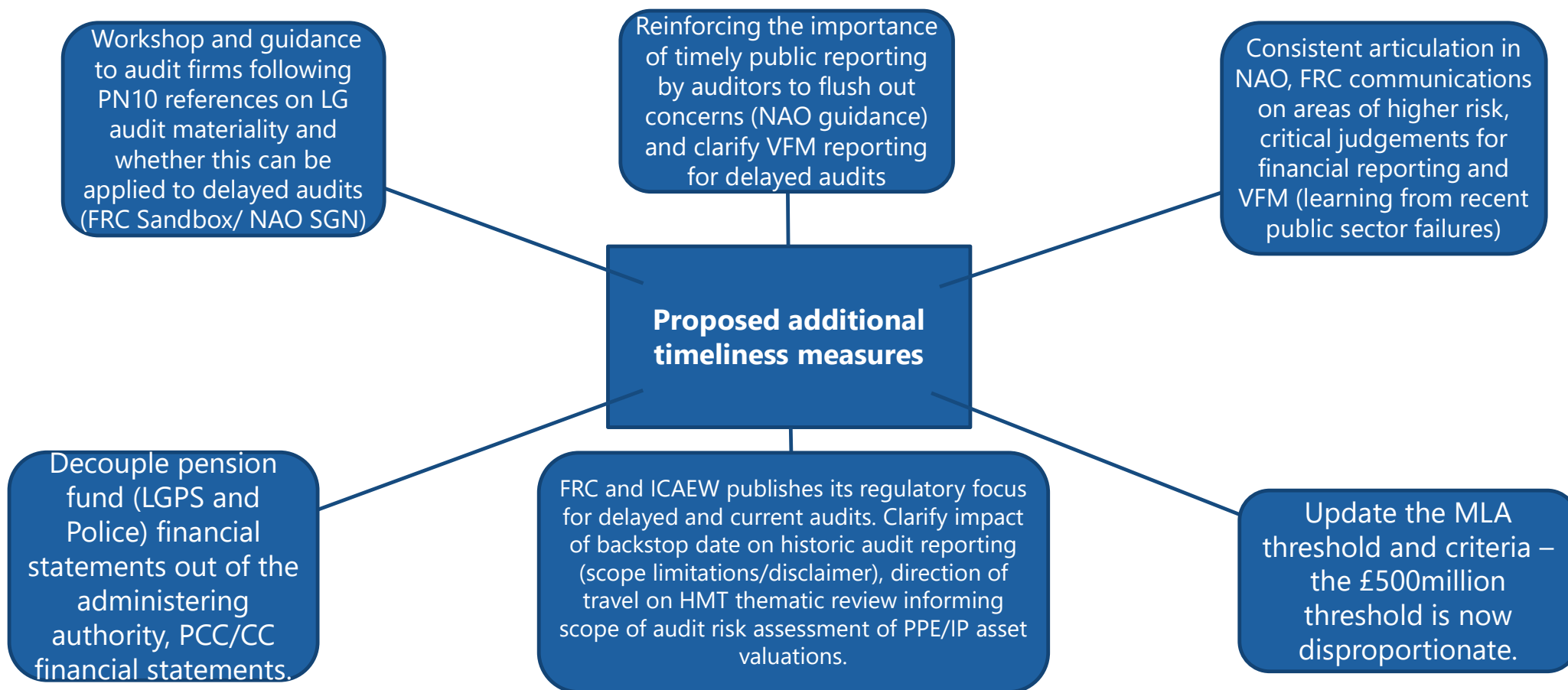
Proposed additional timeliness measures – long-list

Addressing audit backlog and delays – escalated reporting and timetables



Proposed additional timeliness measures: long-list

Addressing audit backlog and delays – methodologies and guidance





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