

Minutes

Meeting	Liaison Committee 9
Date and Time:	20 September 2023 10.00
Venue:	Dearing Room, FRC offices Microsoft Teams
In Attendance:	<p>Chair: Sarah Rapson, FRC</p> <p>FRC Neil Harris, Susan Currie, Rikin Tailor</p> <p>DLUHC Catherine Frances, Elizabeth Parckar, Radhika Sriskandarajah</p> <p>NAO Gareth Davies, Mike Newbury</p> <p>CIPFA Iain Murray, Andrew Burns, Sarah Sheen</p> <p>ICAEW Alison Ring</p> <p>PSAA Steve Freer, Julie Schofield</p> <p>DBT Nick Munn</p> <p>HMT Charlotte Goodrich</p> <p>LGA Alan Finch</p> <p>NHS England Vicky Gaulter</p> <p>DHSC Vanessa Singleton</p> <p>Home Office Tony Grimshaw</p>
Apologies	<p>Siobhan Jones</p> <p>Dennis Skinner</p> <p>Duncan Wiggetts</p> <p>Tony Crawley</p> <p>Carol Tidmarsh</p>

1 Welcome / Apologies / Introduction

The Chair welcomed everyone and summarised the agenda. The Chair thanked all members of the Committee for the commitments they have made before and since Minister Lee Rowley issued the cross-system statement on tackling local audit delays.

2 Minutes & Actions from last meeting

The minutes of Liaison Committee 8 (3 May) were agreed with no amendments.

The minutes of the follow-up meeting on 27 June were agreed with one amendment.

3 Liaison Committee Review

The FRC introduced this paper, which was agreed on the following basis:

- The Committee should be smaller, and members should all be of sufficient seniority to commit their organisation to a course of action.
- It was agreed that it was important to have NHS representation on the Committee. DBT should remain a member as we work towards legislation to establish ARGA and should also engage with the FRC on lessons to be learned from corporate and financial reporting in the private sector. Other government departments are not required as core members but will be consulted on relevant issues.
- The expertise of stakeholders with no direct representation on the Committee, including preparers and auditors, should be captured through other fora (such as working / reference groups) and the output from these for a fed back to the Committee.
- The chair of CIPFA / LASAAC should be invited to join the Committee.
- The FRC Director of Audit Policy should also be invited to join the Committee to provide appropriate representation from the regulatory standards team in the FRC.
- Liaison Committee meetings should take place quarterly and in person.
- Updated Terms of Reference for the Committee should more clearly reflect its responsibilities for overseeing the health and sustainability of the local audit system and reviewing risks and their mitigations.

Action: FRC to convene discussions with DBT to agree the scope of their role in the local audit system, and how this is reflected in system activities and topics covered at the Liaison Committee.

Action: FRC to update Committee Terms of Reference to address feedback points.

4 Workforce Strategy

FRC introduced the interim update paper, noting that it was drafted prior to the ICAEW / CIPFA partnership which introduces dual membership.

In discussion, the following additional points were made:

- There is an issue of capacity in both Local Bodies finance and Audit teams. The drive should be a career in public sector finance more broadly: preparers and auditors. The join up between CIPFA's work and the FRC's strategy is critical.
- Audit Wales are already pushing this message and the FRC is working with the LGA on whether something similar could be done in England.
- The strategy needs to acknowledge that the supply of auditors is dependent on firms. System stakeholders need to work with firms to facilitate the increase in capacity and capability. For example, the work to reduce the demand on local auditors, clearing the current backlog and introducing more proportionate financial reporting, audit, and regulatory requirements.
- The strategy should recognise the important quasi-judicial role local auditors have.
- This should be carefully considered when making the case for KAP flexibilities and for now should be restricted to the case to be more flexible on specific sectors, such as pension funds, NHS audits and Policing, Fire, and other bodies (e.g., National Parks).
- The strategy should consider whether pooling of specific skills in local audit would be beneficial.

Action: CIPFA, DLUHC, FRC and ICAEW to collaborate on where there are opportunities for joint activities across the public finance profession and reflect specific commitments and timeframes in the final workforce strategy.

Action: FRC will complete the remainder of their data gathering and research activities, particularly international comparisons, and insights. In finalising the strategy, the FRC will test out the proposed recommendations, commitments and milestones with relevant system participants. It is anticipated that the updated strategy is presented to the Liaison Committee at its next meeting.

5 Risk

FRC introduced this paper, explaining the proposed risk management framework for the whole system, including the process for triaging risks and in shaping policy recommendations.

The Liaison Committee has a critical role to oversee and monitor the effectiveness of system partners responding to whole-system risks, recognising that each of the entities who are represented on the Committee and commit to action have their own risk appetite and reporting mechanisms.

The risk management framework also sets out that the Committee should be receiving an issues

log to track responses to system wide issues and concerns that are raised by members or fed into this Committee from external engagement. Having the log at each meeting means we can assess whether issues are resolved or escalating, determining the stage at which any significant matters become a system wide risk.

The Committee supported the principles of the risk management framework, issues log but did make several observations on the risk register as it stands. Despite being pleased to see the first draft of a whole-system risk register, the Committee agreed that more work is needed to get the document to a place that allows the Committee to oversee and track whole-system risks effectively and identify where there are significant gaps, impacts, and consequences of not having successful solutions in place.

Action: All Committee members to provide FRC any further comments on the risk management framework and risk register by end of October 2023.

Action: FRC to convene a small working group to finalise the whole-system risk management framework and risk register, presenting this back to the Liaison Committee for review at its meeting in December 2023.

6 NAO update

The C&AG presented the NAO's update paper which summarised its recent activities and reporting within the local audit system.

7 AOB

Nothing was raised under AOB.

8 Date of next meeting

A one item meeting towards the end October may be convened.

Liaison Committee 10 is scheduled for December 2023. Both dates will be confirmed shortly.

The Chair thanked everyone for attending and closed the meeting.

Susan Currie, FRC, 28 September 2023