

Re-energising local public audit

Jon Roberts



Audit under siege – a ‘Crisis’ in confidence in audit



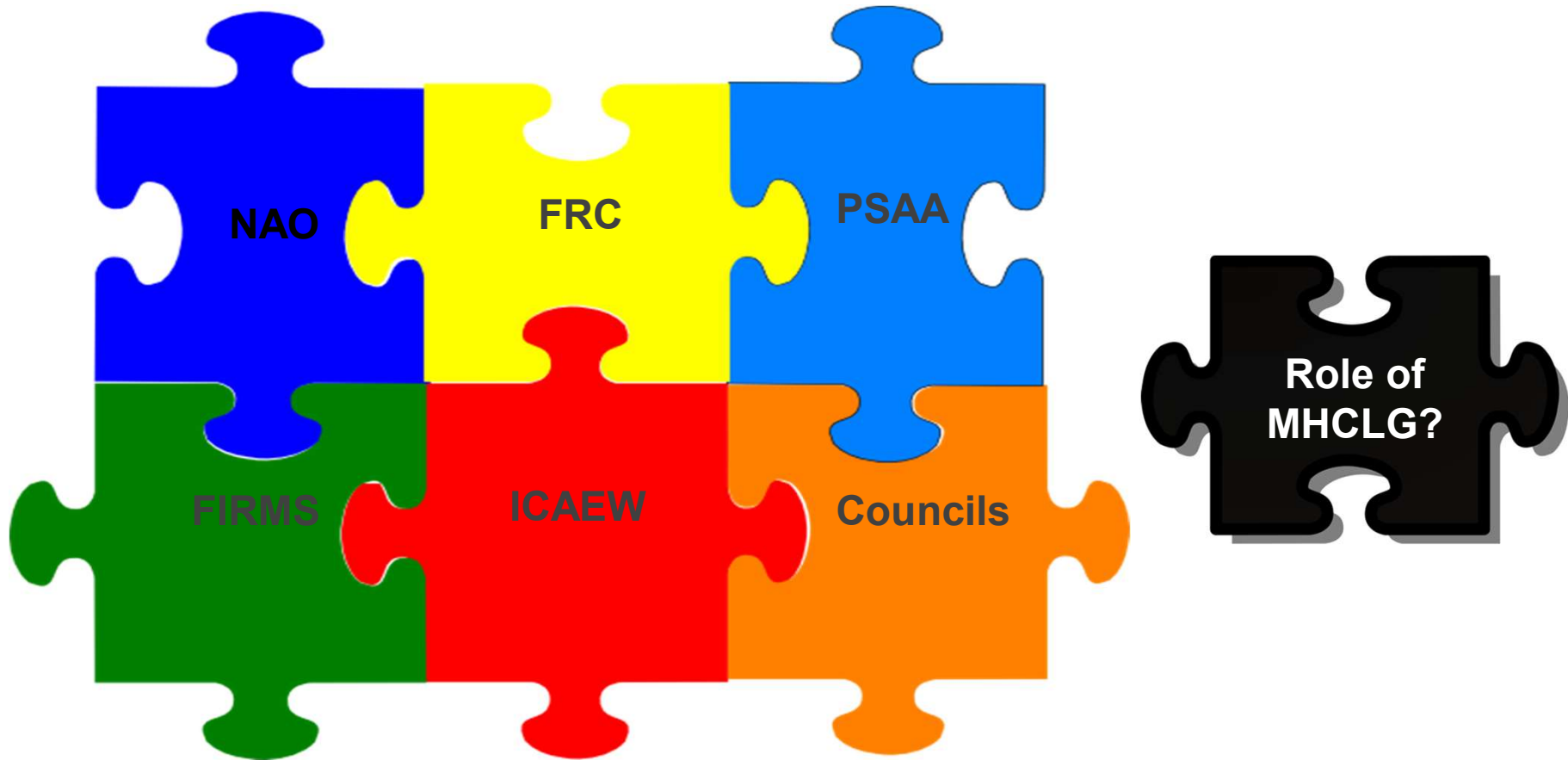
In the public sector ...

What did the Audit Commission ever do for us?

- Delivered audits
- Set the Code of Audit Practice
- Set fees
- Mandated work
- Regulated quality



Responsibilities under the Local Audit and Accountability Act



Early close

Accounts and Audit Regulations

Draft Accounts	30 June	→	31 May
Published Accounts	30 September	→	31 July
Audited Accounts <u>target</u>	30 September	→	31 July

Full effect from Summer 2018

Local government has changed

Longer more complex accounts, lower fees

The changing face of local government financial reporting – Birmingham City Council

	2008/09	2018/19
Auditor	Audit Commission	Grant Thornton
Length of financial statements (excluding opinion)	91 pages	219 pages
Length of audit opinion	3 pages	12 pages
Date opinion signed	Feb 2010 (11 months after year end)	September 2019 (6 months after year end)
Scale fee for audit opinion	£700,000	£241,000
Audit fee – grant claims	£300,000	£100,000

Regulator demanding more

- Regulators' role over firms
- The FRC's expectations for auditors
 - Increased scepticism and challenge
 - Increased focus on PPE, Pensions and other areas to the standards of the FTSE350
 - More robust reporting
 - More consistent audit quality

A market-only regime

PSAA Review of sustainability in the Audit Market (March 2020)

- A number of firms have left the market
- For those that remain: long hours, more regulation, increased pressure
- External audit an increasingly unattractive profession
- How do we attract and retain the CIPFA accountants and auditors of the future?
- Where is the next generation coming from?

Redmond to the rescue

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but also service delivery and ultimately, our faith in local democracy”.

James Brokenshire

Review to cover: reporting, governance, audit quality and scope. Focus on users and sustainability.

What do I like?

Recognition that everyone plays their part:

- councils
- audit committees
- regulators/stakeholders
- CIPFA

Creates the conditions and expectation for firms to invest:

- timetable
- work content and status
- fees



But what else?

- Do it once – do it properly
- Involve the NHS
- Accounts simplification – WGA requires full IFRS
- Increase market participation by former and new suppliers
- Focus on the urgency – in anticipation of legislation



MHCLG's response to date

- An extra £15m funding
- Recognises timetable pressures
- CIPFA summary financial statements
- No OLAR
- Working groups
- Further consultation



And in the meantime ...

Government White paper on audit reform:

- Regulation

- Market

- Scope and governance



Actions for the Council

- Summary financial report
- Discussions at full Council with the auditor
- Role of the Audit Committee
- Independent members
- Commit to training
- Discussions with statutory officers
- Ensure appropriate finance capacity, skills and training



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