



Financial Reporting Council

Priorities for local audit

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The role of the FRC in local audit

The FRC has had statutory responsibilities for the regulation of local audit since the passage of the Local Audit and Accountability Act 2014.

Regulatory Standards



Setting International Standards on Auditing (UK)

Supervision



Supervising the work of firms and inspecting the major local audits they undertake, publishing an annual report on findings

Enforcement



Holding accountable auditors and accountants where in the public interest

Incoming shadow system leader

A strong local audit system is key to maintaining public confidence in local democracy by ensuring transparency and accountability to taxpayers. The FRC is operating as incoming shadow system leader for local audit ahead of legislation to establish the statutory system leader.

In March 2023, the FRC and the Department for Levelling Up, Housing and Communities (DLUHC) jointly published a Memorandum of Understanding outlining our five key responsibilities:



1. Lead a coherent and coordinated policy response to challenges arising across the local audit system, working across and between organisations as required.



2. Facilitate stronger governance across the local audit framework.



3. Lead work to improve competition, bolster capability and market supply in the local audit sector.



4. Oversee the entire quality framework for local audit.



5. Implement effective and useful reporting on the local audit system to drive better outcomes.

Restoring timely, high-quality financial reporting and audit

The backlog of audited local financial reports in England has grown to an unacceptable level. We have seen the causes of these delays in signing off local authority accounts spill into the auditing of other local bodies, such as NHS Trusts.

On 8 February, DLUHC published a Joint Statement providing an update to proposals to clear the backlog and embed timely audits.

The Joint Statement proposals consist of three phases:



Phase 1: Reset

- Clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.



Phase 2: Recovery

- Using backstop dates to allow assurance to be rebuilt over multiple audit cycles to reduce the likelihood of a recurrence of the backlog following Phase 1.



Phase 3: Reform

- Addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

Creating a vision for local audit

As incoming shadow system leader, the FRC will drive a coherent, coordinated response to the many challenges arising across the local audit system.

In addition to our immediate focus on supporting DLUHC in tackling the local audit backlog, we will prioritise:



A workforce strategy that improves the attractiveness and prestige in the local audit profession.



Sustainable Phase 3 reforms underpinned by an agreed vision and purpose of financial reporting and audit.



Building NHS audit into a whole system approach of addressing interdependent risks and challenges.





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