

AUDIT AND GOVERNANCE COMMITTEE
15 JANUARY 2025

CONSULTATION – LOCAL AUDIT STRATEGY

Report by Executive Director Resources and Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to agree to the proposed consultation response outlined in the Annex to this report.**

Executive Summary

2. The Government has launched a statement of intent and consultation on their proposals to overhaul the current local audit system in England. A link to the Government's paper titled "Local Audit Reform – A strategy for overhauling the local audit system in England" that sets out their proposals together with a series of consultation questions is included in the Background Papers section at the end of this report.
3. In the Annex to this report is a document setting out the six areas identified to be reformed, and the proposed responses to the specific consultation questions posed in each of those six areas.

The Consultation

4. The consultation questions are embedded within the strategy document (see background papers) and set out in the annex to this report, along with the proposed responses.
5. The strategy is seeking to address what the Government has identified as three key systemic challenges in the current system - capacity (limited auditors), co-ordination (no clear ownership of the system), and complexity of financial reporting and audit requirements.
6. The English Devolution White Paper set out the Government's intention to legislate to radically streamline and simplify the system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. The strategy, that was launched on 18 December 2024 announces that a new and proportionate Local Audit Office will bring together the following functions of the local audit system:
 - Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;

- Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.
7. The strategy reports to build on the recommendations set out in the “Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting” undertaken by Sir Tony Redmond in 2020, and the “Independent Review of Financial Reporting Council” conducted by Sir John Kingman in 2018. The strategy also includes a range of other measures, including:
- setting out the vision and key principles for the local audit system;
 - committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
 - enhancing capacity and capability in the sector;
 - strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
 - increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.
8. The consultation also includes the potential delivery of local audit through a mixed market, supplementing the private market with public delivery of local audit – in the first instance to meet the needs of those authorities who are without an auditor in the current system.
9. This consultation commenced on 18 December 2024 and runs for six weeks until 29 January 2025.

Financial Implications

10. There are no financial implications.

Comments checked by:

Ian Dyson, Director of Financial and Commercial Services,
ian.dyson@oxfordshire.gov.uk (Finance)

Legal Implications

11. There are no legal implications arising from the report. If the consultation leads to a change in the law this will have implications for the Council which will be reported on at the relevant time.

Comments checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer,
paul.grant@oxfordshire.gov.uk (Legal)

Staff Implications

12. The report does not result in any staff implications.

Equality & Inclusion Implications

13. The report does not have any resulting equality and inclusion implications.

Lorna Baxter
Executive Director Resources and Section 151 Officer

Annex: Local Audit Strategy Consultation questions and proposed answers.

Background papers: The Government statement of intent and consultation paper can be found at:
<https://www.gov.uk/government/consultations/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england>

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