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## Clearing local audit backlog a 'five-year task'

By: Oliver Rudgewick | 6 Nov 23

Signing off the mounting backlog of historical local authority audits could take up to five years as capacity issues restrict progress, an expert has told *PF*.



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Just five English councils had their 2022-23 accounts signed off by this year's deadline, leaving 918 audits outstanding (compared with 630 after the 2022 deadline), and some dating back to 2015-16.

David Heald, emeritus professor at the University of Glasgow, said the audit crisis is an "English problem caused by bad governance and bad management".

He told *PF* the abolition of the Audit Commission in 2015 created a "vacuum" by removing public sector capacity and making local audit reliant on the private sector.

This summer, the government proposed waiving some reporting requirements and auditors publishing more qualified opinions and disclaimers of opinions on accounts as part of a “system reset”.

Heald said a lack of capacity in councils and firms will impact on the ability to fulfil these proposals, and it will take years to address the workforce shortage.

“In terms of clearing the backlog, the government wouldn’t want to admit to this, but this is probably going to be a five-year task,” he said.

“It’s going to take a long time to sort out the backlog and get back to a satisfactory state of affairs.”

Heald said additional funding without boosting and upskilling the workforce will push up fees, making audits more expensive without necessarily improving timeliness.

He said denial over the impact of closing the Audit Commission meant the government was never going to accept a main recommendation from the 2020 Redmond Review: to create the Office of Local Audit and Regulation.

Ministers instead chose to hand the power to the Audit, Reporting and Governance Authority, the planned successor to the Financial Reporting Council.

“When Redmond was published, there was just a general denial by central government and some local authorities that the abolition of District Audit and the Audit Commission was a major factor in the problems,” Heald said.

“However, people don’t tend to argue about this now.

“There is this implicit recognition that part of the problem stems from the loss of supervision and regulation.”

The government has been routinely criticised for a perceived lack of progress in addressing local audit issues, including by the Public Accounts Committee.

Chair Meg Hillier said a recent warning by the committee about declining local audit performance “sadly appears to have been proven accurate”.

She told *PF*: “A real focus must now be placed on careers in public audit, the sector must be expanded so the same few firms are not serving the whole sector, and councillors and council candidates must receive mandatory training.

“This is a crisis which will be fixed over years not months, but this backlog cannot be allowed to continue to creep up without challenge.”

A spokesperson for the Department for Levelling Up, Housing and Communities said: “We are taking action to tackle the local audit backlog and make the system more sustainable and timely.

“In July, the minister for local government wrote to the sector and the chair of the Levelling Up Committee to share proposals to address these issues, agreed in principle with key partners.

“We intend to begin implementing changes following further engagement.”

## Oliver Rudgewick

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