

# Addressing the local audit backlog in England: Consultation

**A public consultation issued by the Local Government Performance Division in the  
Department for Levelling-Up Housing and Communities**

**Comments from ACCA to the Department for Levelling-Up Housing and Communities**

07 March 2024

REF: TECH-CDR-2114

## **About ACCA:**

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 247,000 members and 526,000 future members based in 181 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in Accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that Accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at [accaglobal.com](https://accaglobal.com).

## **For further enquiries please contact:**

Mike Suffield

Director – Policy and Insights

[mike.suffield@accaglobal.com](mailto:mike.suffield@accaglobal.com)

Jessica Bingham ACA FRSA

Regional Lead, Policy & Insights (UK,  
Europe, Eurasia, Middle East & Americas)

[jessica.bingham@accaglobal.com](mailto:jessica.bingham@accaglobal.com)

## GENERAL COMMENTS

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ACCA welcomes the opportunity to respond to the Department for Levelling-Up Housing and Communities (DLUHC) public consultation. ACCA fully supports the proposed package of measures, appreciating that this has been a long-standing issue and DLUHC's phased proposal seeks to address this and ensure a return to audit opinions meeting user's needs in a timely manner.

ACCA has consistently supported ongoing work to reform audit and corporate governance, recognising their importance in restoring the UK's global reputation and credibility, and providing certainty to investors and the public at large.<sup>1</sup> Specifically with regard to reporting by and audit of local government bodies in England, we believe the current collaboration between the Local Government Performance Division in DLUHC, the Financial Reporting Council (FRC) and the National Audit Office (NAO), represents a positive step towards fostering restored public trust in the financial management and oversight of local authorities. This is a fundamentally important issue, in providing assurance to local taxpayers over how resources are managed, and services provided. Timely publication of audited accounts is a key factor.

We support the reforms proposed by the system partners, clearing the backlog by September 2024, and setting deadlines for future audits, and streamlining procedures for timely financial reporting. These are ambitious steps.

To re-iterate, though, the proposed backstop dates for the publication of audited financial statements up to 2022/23 (Phase 1) and for financial years up to 2028 (Phase 2) will not on their own be sufficient to address critical areas essential for an effective financial management cycle and returning to full and timely reporting. Measures must address underlying problems of shortages of experienced staff in local authority finance teams, attraction and retention hurdles in the profession, increased workload pressure on finance and audit staff, and the impact of reduced local government funding, among others.

Backstop dates must be assessed properly. In line with our comments on the draft Code of Practice on Local Authority Accounting,<sup>2</sup> reforms come at a time when councils are under pressure to meet widening budget gaps amidst cuts to government grants; bodies have already

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<sup>1</sup> See ACCA's letter to the Chancellor outlining members' priorities ahead of the announcement on 6 March 2024 (26 January 2024), available [here](#).

<sup>2</sup> See ACCA's response to '2024/25 Code of Practice on Local Authority Accounting in the United Kingdom' Consultation (17 October 2023), available [here](#).

started to declare bankruptcy. In this context additional spending to provide the capacity and skills to deliver numerous outstanding audits may be unfeasible in the face of staff and spending cuts. On the other hand, backstop dates can also disproportionately impact auditor's value for money assessment, or the number of modified or disclaimed opinion on outstanding accounts, which would further erode public trust and damage council's reputation.

In line with our response to the 'Whole of Government 2020-21' Public Accounts Committee inquiry,<sup>3</sup> ACCA highlights the detrimental impact of late financial statements publication on their usefulness. Late publication hinders transparency, accountability, and informed decision-making by local authorities, while affecting accounts users' ability to hold local bodies accountable.<sup>4</sup>

The backlog of audited accounts presents a complex, multifaceted problem, as evidenced by the fact that the proposed reset period will take until 2028. Permanently addressing the root causes of this longstanding issue, though, will require comprehensive and concerted efforts from various stakeholders including the Government, the audit firms, the regulators and audit and accountancy bodies. ACCA actively seeks to continue to be a part of this conversation representing the many members we have working within local authorities. And a failure to address the underlying problems that have led to the current backlog will mean that we will find ourselves in a similar position at some point in the future.

While we appreciate the system partners' efforts, further guidance and support are required to address this issue comprehensively. Financial assistance to local authorities, capacity building within council finance teams, knowledge-sharing, partnerships, and technology adoption are crucial initiatives to support timely high-quality financial reports. The best method for ensuring that audits are delivered on time is for the local audit system to function as a whole.

Addressing the systemic challenges in the local audit system (Phase 3 of proposed reforms) is therefore essential. These reforms must ensure timely publication of high-quality financial reports through proportionate requirements that appropriately balance the need for quality information with the burden on auditor and preparers. ACCA is fully committed to actively supporting and advocating for these reforms. We will leverage our extensive member network and continuously engage with stakeholders to promote and advance these initiatives.

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<sup>3</sup> Response to 'Whole of Government Accounts 2020-21 Inquiry' from the UK Parliament Public Accounts Committee (31 October 2023), available [here](#).

<sup>4</sup> See ACCA's 'Rethinking Public Financial Management' report, available [here](#)

In conclusion, while we support and encourage backstop dates and measures aimed at resetting the current backlog and preventing its recurrence, additional initiatives are needed to address the root problems. These include skill development, improving accounts preparation processes, reducing burdens for preparers and auditors, and reviewing the reporting financial framework for local governments, among others. ACCA continues to stand ready to support DLUHC and its systems partners, local authority preparers, and their auditors, in responding to the challenges ahead.