

Re-energising local public audit

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My career journey

A local auditor and proud of it

- Joined District Audit in July 1987
- RSM Robson Rhodes Bristol from 2002
- Made partner and set up Grant Thornton's Birmingham local audit team from 2007
- Back to Bristol
- Public Policy of Audit from 2018
- Still have a portfolio of audits



So why be an auditor?



- Making a difference to tax-payers' money
- Variety of public bodies – LG, health, blue light, etc
- In different locations
- Test of professional mettle
- Broad skills-set: accounts, VFM, challenge
- In the public interest
- Just being there makes a difference

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



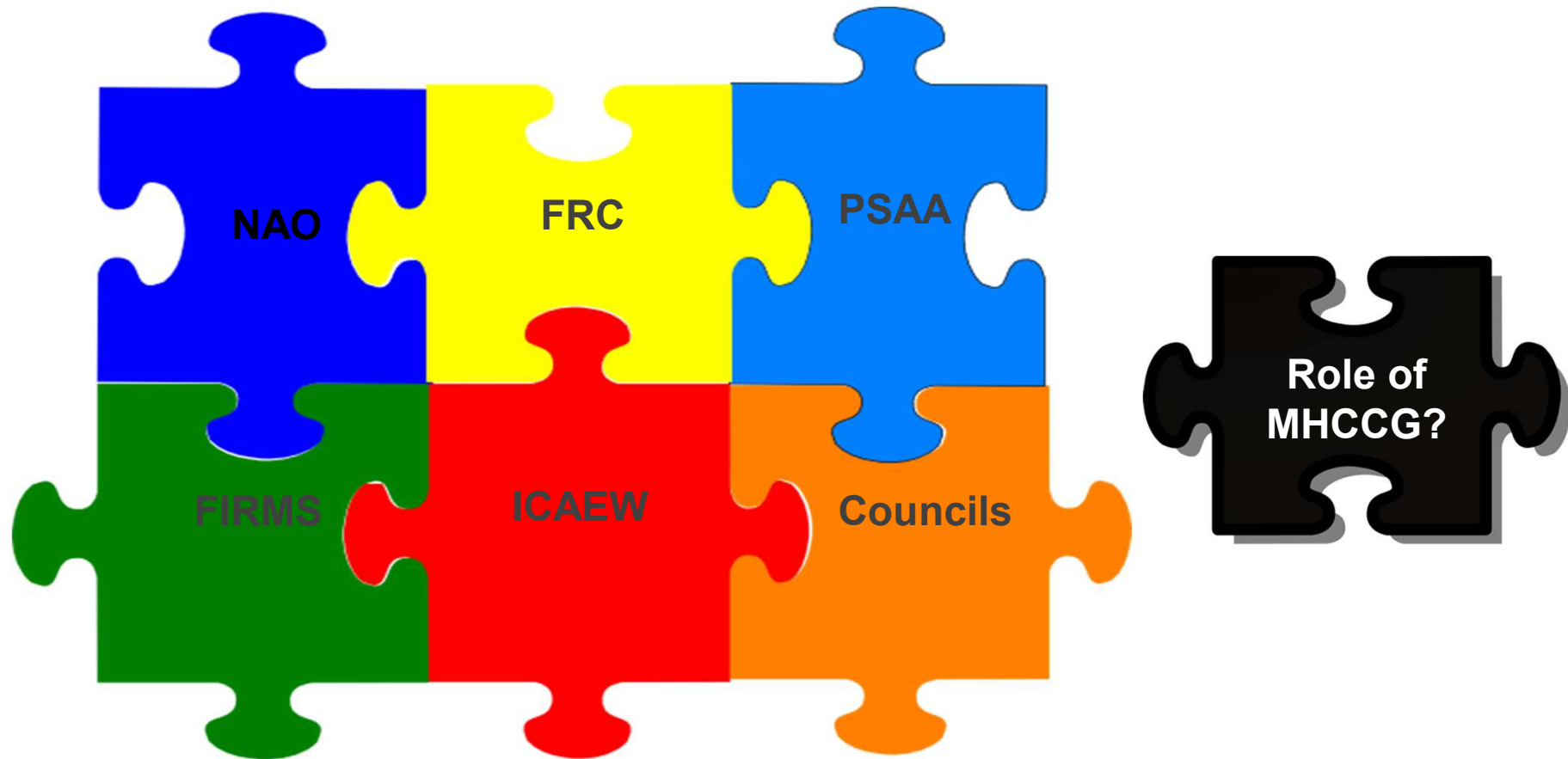
In the public sector ...

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

2019 Summer of discontent

- Over 40% audits not signed at 31 July
- More work = fee variations
- Accounts preparation and quality slippage
- Retention of audit teams under strain – highly employable people

**The position was not sustainable ...
and then came Covid19**

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
- Mandatory independent appointment for all
- Accounts simplification – WGA and the PPE ‘food chain’
- Increase market participation by former and new suppliers
- Focus on the urgency – in anticipation of legislation





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