

# National Audit Office, Local Audit in England Code of Audit Practice

## Draft code consultation response

20 November 2019

### 1. About the Local Government Association

- 1.1. The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
- 1.2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
- 1.3. We welcome the opportunity to comment on [this consultation](#) on the draft Code of Audit Practice, following on from the [stage 1 consultation](#) earlier this year.

### 2. General comments

- 2.1. The draft code now being consulted on clearly reflects the responses to the first consultation earlier this year, and that include the [response](#) from the LGA. While we have a small number of detailed comments and concerns, in general we are supportive of the new code as drafted.
- 2.2. We understand that the code will be supported by more detailed guidance, which is currently being drafted and will be consulted in in due course. We look forward to seeing this and commenting on it as it develops.
- 2.3. There now follow comments on specific areas in the code. We have specific comments on Chapters 1, 3 and 4 only.

### 3. Status of the Code (chapter 1)

- 3.1. The code will continue to be cover both NHS and local government sectors, supported by sector specific guidance. In our response to the earlier consultation we pointed to some advantages of this arrangement; clearly the sector specific guidance will be very important. We are therefore happy to support this.
- 3.2. A greater concern would be how the results of audit are reported nationally, and we would repeat our call for any national reporting by the NAO to distinguish between the sectors, rather than publishing, for example, the results of 'local audit'.

#### **4. Auditors' work on economy, efficiency and effectiveness (chapter 3)**

- 4.1. This chapter covers what are known as the "value for money arrangements" (VFM). We understand that this is where the most significant changes have been made compared to the current code. Overall we support the direction and aim of these changes which we think are consistent with the approach that the value for money judgement is an assessment of the arrangements for securing VFM, not an assessment of VFM itself. We also support the move to make the assessment more directly useful to councils by requiring the auditor to issue a commentary on each criteria rather than a simple yes/no opinion on its own.
- 4.2. In order to be useful to the local authority and to other users of the accounts, it needs to be made clear in the guidance (or directly in the code) that any commentary needs to be clear and unambiguous. An opinion that is vague will not be of use to the local authority. One option could be retain the overall yes / no opinion alongside the additional commentary.
- 4.3. While we appreciate that consideration of audit fees is beyond the NAO's remit, it should be made clear that changes made, particularly the introduction of the commentary should not have an impact on the scope of the audit. It needs to be clear that the change is on what is reported from the work done on VFM, rather than on the scope of the VFM work itself. The NAO may wish to work with Public Sector Audit and Appointments (PSAA) to ensure this point is carried through into the audit contracts.
- 4.4. The first bullet of paragraph 3.10 of the draft code covers financial sustainability and states that the auditor should report findings on "how the body plans and manages its resources to ensure it can continue to deliver its services". Given the diverse nature of local authority services, the mix between statutory and discretionary services, and the local choices made on delivery, coupled with the wider place shaping role of local authorities that goes well beyond delivery of services, we do not think "continue to deliver its services" is quite the right phrase for this criterion. A better choice might be "achieve its objectives".

#### **5. Reporting the results of the auditor's work (chapter 4)**

- 5.1. We support the arrangements outlined in this chapter. It should be emphasised that the timeliness of audit reporting is key to its usefulness, and the code attempts to achieve that.

## 6. Other chapters

6.1. We have no specific comments on the other chapters of the code.

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