



**NATIONAL AUDIT OFFICE**  
**DRAFT CODE OF AUDIT PRACTICE CONSULTATION**

**19 NOVEMBER 2019**

**Leicestershire County Council's Response**

1. The Council welcomes the opportunity to comment on the draft Code. The external audit of the financial statements and the review of the Council's arrangements to secure value for money, is the main external review of the County Councils finances and plans. In overall terms the Council supports the improvements made in the Code. Specific comments on each section follow below.

**Chapter One – Status of the Code, Application and General Principles**

2. The County Council supports the principles-based approach to the Code; the wider scope of public audit, independence and public reporting. The Council also supports the guidance that auditor's work should be risk based and proportionate and is mindful of the work of inspectorates and other bodies and internal audit and should take account of them where relevant to prevent duplication. For example, the work of internal audit has increasingly not been used for financial audits, increasing the work of external auditors and the audited body at the busiest times of the year.
3. The Council also supports the guidance around the auditor performing their work economically, efficiently and effectively, and in a timely a way as possible. While the Council is supportive of the increased requirements of the Code, this should not result in significant increases in the external fee or time required by the audited body to deal with requests for information. To limit costs Auditors should be encouraged to review their work to focus on areas that add most value. The sections of the Code in respect of auditor's work being risk based and proportionate are helpful in this area.

**Chapter Two – Audit of the Financial Statements**

4. The County Council agrees with the option for auditors to introduce appropriate enhanced auditor reporting where required by applicable auditing standards, the relevant government department or regulatory body, subject to further details on how the work will be funded. It is unclear from the Code where the additional audit costs will be funded, which could be significant, and if it is to be from the audited body, fees above a reasonable level must be agreed in advance with the audited body.

### Chapter Three – The Auditors Work on Value for Money (VFM) Arrangements

5. The Council supports the proposals to enhance the importance of the VFM opinion by providing commentary over three areas rather than a single pass or fail conclusion. This will allow the auditor to provide additional assurance and explanation of their findings. The Council sees the VFM opinion as an important independent assessment of the audited body to demonstrate its stewardship of public funds.
6. The additional costs will also be a factor to balance over improved reporting. In many cases the information is already reported. Where possible auditors should be encouraged to refer to existing strategies and reports, for example the Medium Term Financial Strategy (MTFS) and budget monitoring reports to reduce effort and keep costs down.

### Chapter Four – Reporting the Results of the Auditor’s Work

7. The Council agrees with the proposals to report two main outputs; the auditor’s report on the financial statements, and the auditors annual report (including commentary on VFM arrangements). The Council encourages the separation of audit work on VFM and the audit of the financial statements. As the work will fall at different times of the year this will also help manage workloads. The Council supports early reporting of the VFM opinion where significant weaknesses in arrangements are identified.

### Chapter Five – The Auditor’s Additional Powers and Duties

8. The Council welcomes the proposals for Auditors to consider the overall impact and proportionality when deciding to exercise additional powers and duties following an objection(s) to the accounts. As stated in the consultation while these powers can be an important tool, they can lead to significant costs having to be met by the audited body which must be balanced with the importance of the issue being raised.
9. The Council agrees with setting out expectations on the speed in which auditors should consider objections. However, it is concerned about the length of time allowed and would recommend shorter periods in order that the completion of the final audit is not delayed except where there are compelling reasons. The Council would like to see the emphasis on the consideration of objections within one month of the objection being raised, rather than the proposals in the Code which recommend auditors make a decision, whether or not to consider the objection within one month and then to complete work where possible within six months. As a result, this may substantially delay final audit certificates, past the required dates for Local Government of the end of July each year.

### Chapter Six – Smaller Authority Assurance Arrangements

10. The Council agrees with the proposals, that the requirements within chapter one and chapter five on proportionality and exercise of additional powers, should apply to smaller authorities.

### Summary

11. The County Council values the work undertaken by the external auditor and is supportive of the changes made within the Code, but auditors must be encouraged to remove work on less important areas so that reporting is focused and relevant – not just bigger.
12. The Council welcomes the NAO discussions with auditing bodies on how they can alter their work to areas of greater importance.

### Officers to Contact

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