

Request for views

Deadline for category 1 authorities to make draft accounts available for public inspection

A Consultation Response by:
The Chartered Institute of Public Finance and Accountancy

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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1. Introduction

- 1.1 CIPFA is pleased to produce the following response to the consultation on possible changes to the Accounts and Audit Regulations 2015. CIPFA would note that it has consistently supported faster closing since the proposed changes to the Regulations in 2014 (while at the same time recognising the practical impacts of the proposals).
- 1.2 CIPFA reluctantly accepted the changes to the audited deadlines for local authority financial statements in our response in May 2022 acknowledging the current crisis in local audit called for both urgent and practical solutions. However, CIPFA would repeat that audit timeliness is a crucial part of audit quality and has a significant impact not just the on the transparency and accountability of local authority accounts, but also on local authorities' financial management and governance processes, which are key to ensuring that local authorities effectively deliver on their policy objectives. CIPFA would suggest that any changes in timetables be subject to a shorter review period than is currently envisaged to support the benefits that faster closing brings to local authority transparency.
- 1.3 The publication of the Annual Governance Statement follows the same timetable as the publication of the financial statements, so is equally impacted by the delays in local audit. This means that authorities are not publishing a final assessment of the effectiveness of their governance arrangements until a considerable time after the year end.

2. Unaudited accounts deadlines – effective date 31 May

- 2.1 As noted in our introduction CIPFA has consistently supported faster closing of local authority accounts both for the unaudited accounts deadline which in practice means 31 May and for the publication of audited accounts as of 31 July while recognising the practical impacts that this condensed timeline has, particularly because of the timing of the audits of NHS financial statements. Faster closing will assist with the speedier confirmation of the accuracy of the information in local authority accounts which will in turn have a better base for local authority budgets and financial management. It also has a positive impact on transparency and accountability.
- 2.2 CIPFA would note that there are arguments that due to the delays in the audit of local authority financial statements that it is even more important that local authorities close their accounts more speedily. This would allow earlier confirmation of outturn for the closed financial year allowing management to respond more quickly to any adverse situations and to be more certain of their financial management plans and information.
- 2.3 CIPFA would comment, however, that the delays in local audit have led to resultant impacts on the resources of both auditors and local authority finance teams. CIPFA understands that it has had a significant and adverse impacts on the closedown timetables for local authorities and indeed for some authorities this has had a cumulative effect. CIPFA would suggest therefore that consideration might be given to the extension of 31 May effective deadline for the unaudited accounts to 30 June while the current position in local audit stabilises. It would suggest that this is for three-year period and that this is then subject to review.

3. The statutory requirement for category 1 authorities is to make accounts available for public inspection for a period that includes the first 10 working days of June

- 3.1 CIPFA understood the objective for having a consistent date for public inspection ie a common 10-day period which includes the first 10 working days of June for English category 1 local authorities. This common date was to ensure that local electors were clear about their rights of inspection and encourage interest in local authority statements of account. CIPFA is not clear that this absolutely served its purpose and increased accountability but would acknowledge that it has not received any significant feedback as to whether this is the case (though please see our response at paragraphs 3.2 to 3.4 below).
- 3.2 CIPFA very much supports the principle of public inspection and considers that the public inspection period itself plays an important part in the public accountability. It has seen no evidence that the same date for all local authorities is necessary to maintain the accountability in the system. It is of the view that provided there is clear signposting of the period of inspection that this should be sufficient (as is currently required by the Regulations).
- 3.3 CIPFA would suggest that while there are such significant audit delays which impact on the deadlines of both the unaudited and audited accounts that the inspection period should be able to be set by the authority.
- 3.4 CIPFA would note that when the local audit system was operating without the current delays some local authorities were able to close the accounts significantly in advance of 31 May effective deadline and that they were concerned that delaying the public inspection period so that it included the first 10 working days of June delayed the closure and audit processes for the accounts beyond their planned accelerated timetable thus losing the advantages of the improved transparency and accountability achieved by faster closing.