

The FRC's role in local audit



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A strong local audit system is key to maintaining public confidence in local democracy by ensuring transparency and accountability to taxpayers. Since the passage of the Local Audit and Accountability Act 2014, the FRC has had statutory responsibilities for its regulation.

In addition to issuing the International Standards on Auditing (UK) which set out how auditors should undertake their work, the FRC is responsible for overseeing the work of both the Institute of Chartered Accountants in England and Wales (ICAEW) and Chartered Institute of Public Finance and Accountancy (CIPFA) in their supervisory and qualification roles respectively.

The FRC's Supervision Division includes the Audit Quality Review (AQR) team which inspects major local audits undertaken by firms and publishes an annual report on findings, and the Audit Firm Supervision (AFS) team supervises the firms.

The FRC also has an important enforcement role in local audit, holding individual members and firms to account.

Following Sir Tony Redmond's report 'Oversight of Local Audit and the Transparency of Local Authority Financial Reporting', the UK Government announced their intention to establish the Audit, Reporting and Governance Authority as system leader for local audit.

Ahead of legislation to create the statutory system leader, the FRC has operated as incoming shadow system leader. This role aligns with the FRC's purpose to serve the public interest by promoting high standards of financial reporting, governance and audit, and builds on its existing responsibilities regarding the local audit system through standard setting, supervision and enforcement.

As incoming shadow system leader, the FRC chairs the Local Audit Liaison Committee which brings together senior stakeholders from across the local audit system as a forum to identify arising issues and agree actions to resolve them.

Incoming shadow system leader responsibilities

The FRC and the Department for Levelling Up, Housing and Communities jointly published a Memorandum of Understanding outlining the key responsibilities as incoming shadow system leader.



1. Lead a coherent and coordinated policy response to challenges arising across the local audit system, working across and between organisations as required.



2. Facilitate stronger governance across the local audit framework.



3. Lead work to improve competition, bolster capability and market supply in the local audit sector.



4. Oversee the entire quality framework for local audit.



5. Implement effective and useful reporting on the local audit system to drive better outcomes.

The local audit framework

Local
Government



NHS
bodies



Local
police
bodies



Fire and
rescue
authorities



National
park
authorities



Internal
drainage
boards

