



# Public Sector Audit Appointments

**Analysis of Objections  
April 2015 to June 2019**

# Contents

1.	Introduction.....	3
2.	Objection outcomes.....	3
3.	Objection topics and audit costs.....	5
4.	Types of authorities receiving objections .....	6
5.	Objections still under investigation .....	6
6.	Time taken to consider objections.....	6
7.	Appendix 1 - Background to objections.....	7

# 1. Introduction

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. Electors' objections can ask an auditor to make a Public Interest Report (PIR) and/or apply to the Court for a declaration that an item of account is contrary to law. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body, the outcome is reported to the body (normally this is a local authority, but the elector rights cover others such as police and fire bodies), and although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

Appendix 1 provides background to objections within the legal framework of the Local Audit and Accountability Act 2014.

## 2. Objection outcomes

Our analysis covers 109 completed objections dealt with by appointed firms from April 2015 to June 2019, all of which related to 2017/18 or earlier. It does not cover unsuccessful objection requests, or other matters and questions brought to auditors' attention by electors and others such as journalists, as PSAA does not have any relevant data.

Electors can ask the auditor to issue a public interest report and/or make an application to the court for a declaration that an item of account is contrary to law. Auditors can also make statutory recommendations (under Schedule 7 Local Audit & Accountability Act 2014) and non-statutory recommendations when reporting on what they have found. Auditors also have the power to issue an advisory notice or seek a judicial review, but these two are very rare occurrences, and have not been actioned in any of the objections in our analysis. The auditor may decide that no action is required because the body has already responded to the concern, or, whilst the elector disagrees with an action taken by a body, it is not unlawful.

The auditor may decide that a combination of responses is appropriate, for example when electors raise more than one issue within an objection.

### Main outcome

Our analysis of the main audit outcome of the 109 objections (table 1) shows that one resulted in a public interest report, and that auditors made recommendations in 42 other cases. There were no applications to the courts for a declaration of unlawful expenditure. In the remaining 66 auditors took no action, although in 20 cases the auditor reported that the authority had taken steps to address the issues raised (table 2).

**Table 1: Outcomes of objections from 1 April 2015 to 30 June 2019**

<b>Outcome</b>	<b>Number</b>	<b>%</b>
Public interest report (PIR)	1	1%
Auditor seeks a declaration (Auditors can apply to the court for a declaration that an item of account is contrary to law)	0	0%
Auditor makes Schedule 7 recommendation (Schedule 7 of the 2014 Act allows for the auditor to make written recommendations which place statutory requirements on an audited body)	1	1%
Auditor makes other recommendations (Auditors have a power under section 27 of the 2014 Act to make recommendations that do not place statutory requirements on the body. These may be used where the auditor wishes to bring a matter in respect of an objection to an audited body's attention, but where it may be disproportionate to require the body to put in place additional arrangements, and incur additional cost, to respond to the recommendation)	41	38%
Auditor takes no further action, having considered the objection	66	60%
Number of objections	109	

Source: PSAA analysis of objections April 2015 to June 2019

The reasons why the auditor took no action in 66 objections are set out below (table 2). In most cases more than one reason applied.

**Table 2: Cases where the auditor determined no further action was required**

<b>Outcome</b>	<b>Number</b>
Auditor takes no action as authority action lawful and appropriate	58
Auditor takes no action as while expenditure may be unlawful discretion exercised not to apply to Court <sup>1</sup>	18
Auditor takes no action as matter not considered to require a PIR <sup>2</sup>	28
Auditor takes no action as while law is unclear it is not the role of the auditor to clarify	4
Objection beyond the auditor's jurisdiction (outside auditor's remit)	14
Authority has responded satisfactorily to the relevant issue or part of issue	20

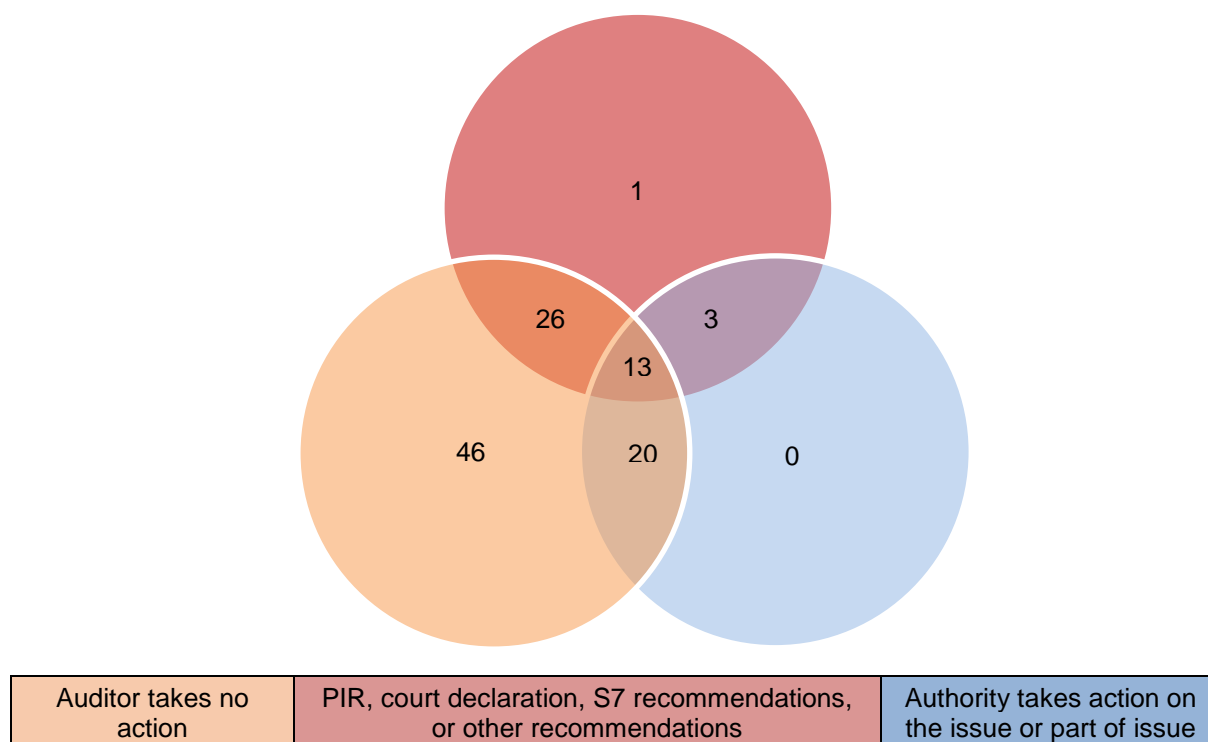
Source: PSAA analysis of objections April 2015 to June 2019

<sup>1,2</sup> - See Appendix 1 for notes to tables

## Multiple actions

As already stated, electors often raise more than one issue within their objections. Auditors consider each of them, and this means that often they report that multiple actions have been taken on the issues, whether this be by the body or by themselves. This is illustrated below (Figure 1).

**Figure 1: Objections often result in more than one action**



Source: PSAA analysis of objections April 2015 to June 2019

The analysis above illustrates that in respect of 63 of the objections in the sample (58%), there has been some form of action taken in response to the objectors' concerns, whether it has been taken by the auditor using their statutory reporting powers or by the authority responding as appropriate to the issue raised. In 46 cases, as illustrated by the area shown in orange, the objection raised has resulted in no action being taken by either the auditor or the body.

### 3. Objection topics and audit costs

The range of issues covered by the objections in this analysis is set out below (table 3) along with the auditors' cost of the investigation work for each category.

The 32 'other' objections tend to relate to specific local issues.

**Table 3: Subject matter of objections & audit costs**

Category	Number	Audit costs £
Lender Option Borrower Option (LOBO) arrangements	24	407,498
Parking	14	188,597
Environment/waste	7	90,687
Planning	7	80,644
Transport	7	74,568
PFI and contracts	6	86,148
Legal expenses	5	85,347
Taxi licensing	3	45,818
Housing	2	19,181
Council tax benefit	2	28,435
Other	32	320,759
<b>Total</b>	<b>109</b>	<b>1,427,682</b>

The total audit cost of investigating the 109 completed objections of £1.43m are payable by the local authorities in question. The average cost of dealing with a completed objection therefore works out at £13,098, although there is a wide range with auditor costs for individual objections ranging from £892 to £92,949.

No record is available of bodies' costs, such as officer time and legal advice.

## 4. Types of authorities receiving objections

Objections have been made at all types of local authority as shown in Table 4.

**Table 4: Types of authority receiving objections**

Type	Number of objections
London Borough	35
County Council	19
District Council	14
Metropolitan Council	13
Unitary Authority	11
Fire and Rescue Authority	2
Combined Authority	1
National Park Authority	1

There were 24 authorities that had received more than one objection (five objections was the highest), and 51 authorities had received a single objection.

## 5. Objections still under investigation

There were still 53 objections being investigated at June 2019 (Table 5). No cost information is available on these objections.

**Table 5: Analysis of Objections as at 30 June 2019**

2015/16	2016/17	2017/18	Total
17	24	12	53

Source: PSAA objections data

The investigation of objections can be complicated and drawn out, involving the need to follow due process and consult with a number of different parties.

## 6. Time taken to consider objections

The time taken to investigate objections from receipt to the outcome varied from 25 to 1,348 days, with an average time taken of 445 days.

For those objections still being investigated, the average time taken from the date the objection was accepted to either 30 June 2019 or the date of the final outcome letter (if the objection has now been determined) is 717 days.

## 7. Appendix 1 - Background to objections

### Legal framework

The requirements of the current local audit framework in relation to objections from local government electors took effect from 1 April 2015, with the introduction of the Local Audit and Accountability Act 2014 (the 2014 Act).

Section 27 of the 2014 Act allows for local government electors to make objections to the local auditor, subject to satisfying some conditions. The auditor must consider whether the objection is valid by complying with legal requirements, whether to accept it for consideration, and what action to take in response. Schedule 7 of the 2014 Act sets out further requirements in relation to public interest reports and statutory recommendations, which are potential outcomes from objections.

### The appointed auditor's role on objections

In considering the objections they receive, local auditors must exercise professional judgement, and have regard to the Code of Audit Practice (the Code) and auditor guidance issued by the National Audit Office (NAO). Auditor Guidance Note AGN04 covers auditors' additional powers and duties and AGN07 covers reporting requirements.

While the auditor may need to take legal advice on aspects of the subject matter of an objection, the auditor remains responsible for the decisions and judgements made in determining the objection. This principle applies for all aspects of work performed under the 2015 Code.

### The Local Audit and Accountability Act 2014 Section 27 - Right to make objections at audit

- (1) This section applies if, at an audit of accounts under this Act a local government elector for an area to which the accounts relate makes an objection to the local auditor which meets the requirements in subsection (2) and which;
  - concerns a matter in respect of which the auditor could make a public interest report, or
  - concerns a matter in respect of which the auditor could apply for a declaration under section 28.
- (2) The requirements are that;
  - the objection is made in writing, and
  - a copy of the objection is sent to the relevant authority whose accounts are being audited.
- (3) The local auditor must decide;
  - whether to consider the objection, and
  - if the auditor does so, whether to take action within subsection (1) in response.
- (4) The local auditor may decide not to consider the objection if, in particular, the auditor thinks that;
  - the objection is frivolous or vexatious,
  - the cost of the auditor considering the objection would be disproportionate to the sums to which the objection relates, or

- the objection repeats an objection already considered—
    - (i) under this section by a local auditor of the authority's accounts, or
    - (ii) under section 16 of the Audit Commission Act 1998 by an auditor appointed under that Act in relation to those accounts.
- (5) Subsection (4)(b) does not entitle the local auditor to refuse to consider an objection which the auditor thinks might disclose serious concerns about how the relevant authority is managed or led.
- (6) If the local auditor decides not to take action within subsection (1), the auditor may recommend that the relevant authority should instead take action in response to the objection.

## Notes to Table 2

<sup>1</sup> The auditor may exercise discretion and not take further action where one or more of the following applies:

- a) the law has changed since the objection;
- b) limited significance of the subject matter;
- c) limited wider public interest in the issues raised;
- d) the substance of the matter has been considered previously by the body's auditor;
- e) the substance of the matter falls within the scope of work conducted by an inspectorate or other body; and
- f) the costs of dealing with the matter are disproportionate to i) size of authority or ii) amounts involved.

<sup>2</sup> The auditor may take no further action if the matter is not considered to require a PIR or other formal action provided for in the legislation. The circumstances in which this is permitted are where one or more of the following applies:

- a) limited significance of the subject matter;
- b) limited wider public interest in the issues raised;
- c) there is sufficient information already in the public domain;
- d) the substance of the matter has been considered previously by the body's auditor;
- e) the substance of the matter falls within the scope of work conducted by an inspectorate or other body;
- f) the costs of dealing with the matter are disproportionate to i) size of authority or ii) amounts involved.