

Objections and local audit complaints

Background

The [Local Audit and Accountability Act 2014](#) (LAAA 2014) came into force on 31 January 2014. The act abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies in England. Under the current framework, local government and health bodies are able to procure and appoint their own auditors.

The FRC granted ICAEW a recognition order to be a recognised supervisory body (RSB). This came into force on 1 November 2015. Under this framework, ICAEW is now the only RSB responsible for the licensing and registering of auditors carrying out audits of local public bodies. Monitoring of auditors is the responsibility of either the FRC or ICAEW depending on the size of the local public body being audited (with the FRC responsible for the monitoring of Major Local Audits – local bodies with expenditure exceeding £500m.)

Local auditors are required to be registered with an RSB for the audit of accounts of health bodies and for the audits of accounts of local government bodies.

A list of registered local auditors and key audit partners can be found at icaew.com/localaudit. The identity of a local auditor should be able to be confirmed via the website of the relevant local public body. This is because the LAAA 2014 requires the relevant authority to publish a notice that:

- states that it has made the appointment;
- identifies the local auditor that has been appointed;
- specifies the period for which the local auditor has been appointed;
- sets out the advice, or a summary of the advice, of its auditor panel about the selection and appointment of a local auditor; and
- if it has not followed that advice, sets out the reasons why it has not done so.

Inspections and Objections

The LAAA 2014 provides the statutory right for local government electors to inspect the statement of accounts (s25), inspect supporting accounting records (s26), and to make an objection about the accounts to the local auditor (s27). These rights are only in relation to local government bodies.

s27 (2) provides that the objection must:

- be made in writing, and that
- a copy of the objection is sent to the relevant authority whose accounts are being audited.

Furthermore, s27 (1) notes that an objection must meet the above requirements and that it:

- a) "concerns a matter in respect of which the auditor could make a public interest report, or
- b) concerns a matter in respect of which the auditor could apply for a declaration under section 28 (that an item of the accounts is unlawful)."

The above rights apply during a fixed 30-working day period, once a local authority's draft accounts have been published.

s27 (7) also notes that the local auditor's reasonable costs of exercising functions relating to the objections process are recoverable from the relevant authority.

The National Audit Office's [Guide to Your Rights](#) on local authority accounts sets out the inspections and objections process in more detail.

Local auditors' responsibilities when considering an objection

S27 (3) of the LAAA provides a statutory basis for what the local auditor should do once an objection is received. It states that:

"The local auditor must decide—

- a) whether to consider the objection, and
- b) if the auditor does so, whether to take action within paragraph (a) or (b) of subsection (1) in response."

An auditor also needs to consider whether the objection is eligible to be assessed, considering the objection against the criteria of s27 (1) and (2).

In terms of the statutory responsibility of a local auditor to consider the objection, paragraph 5.7 of the [NAO Code of Audit Practice 2024](#) sets out that the auditor should do so in a timely manner and ensure that the local authority is kept updated as to their process. Specifically, the auditor should:

- use best endeavours to determine whether the objection is eligible within one week of receipt,
- use best endeavours to reach their decision as to whether to consider the objection and to inform the objector and local authority within one month of determining eligibility,
- where the auditor decides to consider the objection, use best endeavours to complete their work and inform the objector and local authority within six months of accepting the objection for consideration, and
- where unable to decide the objection within six months, the objector and local authority should be informed and a further update provided every three months until the objection is decided.

How should the local auditor consider the objection?

The NAO's [Guide to Your Rights](#) on local authority accounts explains that local auditors must follow the LAAA 2014, the NAO Code of Audit Practice, and any associated statutory guidance issued in support of the Code, in everything they do.

For objections, under the Code, auditors must take a balanced approach in spending time and money examining an objection.

Therefore, the NAO's guide states that an auditor will consider:

- how significant the matter is,
- whether there is wider public interest in the issues raised,
- whether they, or another auditor, have previously considered the matter,

- whether the substance of the matter falls within the scope of work conducted by an inspectorate or other body,
- the costs of dealing with the matter, and
- the objectors' rights, the authority's, individual councillors' and authority officers' rights.

Furthermore, s27 (4) of the LAAA 2014 notes that auditors may not consider the objection if the auditor thinks that:

- a) "the objection is frivolous or vexatious,
- b) the cost of the auditor considering the objection would be disproportionate to the sums to which the objection relates, or
- c) 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."

Where an auditor decides not to accept the objection or that they will not take formal action, they should respond to the elector in writing following the process noted above.

Electors have the right to appeal against the auditor's decision, as set out in the National Audit Office's [Guide to Your Rights](#) on local authority accounts.

Complaints about a local auditor – ICAEW's role

If electors wish to make a complaint in relation how the local auditor has dealt with an objection, or for any other reason, in the first instance they should complain to the auditor in writing and the auditor should seek to deal with the complaint in line with their firm's complaints process.

There is no guidance available regarding how an audit firm should manage a complaint from the perspective of the elector specifically. Furthermore, the audit firm's duty to investigate complaints in ICAEW's Disciplinary Bye-laws only applies to complaints from clients and former clients.

However, the expectation is that the local auditor investigates the complaint appropriately in line with due process. Principles highlighted within the [guidance](#) to member firms on how to deal with complaints from clients are relevant for local audit complaints from electors.

In accordance with ICAEW Investigation and Disciplinary Regulation 8.3, a firm shall not charge a client or former client for investigating a complaint. It is therefore expected that the local auditor will not charge the audited entity for investigating a complaint raised by an elector in relation how the local auditor has dealt with an objection, or for any other reason.

If electors are unable to resolve the complaint directly with their local auditor and the local auditor is registered directly with ICAEW as a member firm, ICAEW will consider their complaint in their role as an RSB.

The process for ICAEW considering complaints is set out within the [Disciplinary Bye-laws](#), with complaints received being assessed against a two-part test:

- Does the complaint result in a potential disciplinary matter?
- Is there evidence to support the allegations?

Complaints will therefore be investigated if the answer to both questions is yes.

So that ICAEW can review the complaint as quickly as possible, electors are requested to provide as much information as possible in the complaint form. Electors will also need to send us all their documentary evidence with the complaint form. Please email the completed form and evidence to us at complaints@icaew.com.

The complaint form can be accessed [here](#).

Please be aware the ICAEW member, firm or student who is the subject of the complaint will need to be shown any material relevant to the complaint if we are to use it. If electors are not able to email the documents, the completed complaint form and documentary evidence should be sent to:

Professional Conduct Department
ICAEW
Metropolitan House
321 Avebury Boulevard
Milton Keynes MK9 2FZ
UK

For further guidance about how we investigate complaints, please read our [booklet](#).

Complaints about a local auditor – the role of other stakeholders

The Secretary of State for Communities and Local Government specified PSAA, in July 2016, as an appointing person under provisions of the Local Audit and Accountability Act 2014 to perform the functions of an Appointing Person under the Local Audit (Appointing Person) Regulations 2015. PSAA's specification is in relation to principal local government and police bodies only.

Under Regulation 7(b)(iii) of the Local Audit (Appointing Person) Regulations 2015, PSAA must have an appropriate system to resolve disputes or complaints from local auditors, opted in authorities, and local government electors relating to audit contracts and the carrying out of audit work by auditors it has appointed.

PSAA's responsibilities in relation to complaints are limited to issues in relation to the audit contracts under the Local Audit (Appointing Person) Regulations (SI 2015 no.192) (Regulation 7) which states that:

“an appointing person must resolve disputes or complaints from local auditors, opted in authorities and local government electors relating to audit contracts and the carrying out of audit work by auditors it has appointed.”

Therefore, PSAA will deal with complaints about audit fees as under the Appointing Person Regulations because fees are set by PSAA. ICAEW are not able to respond to complaints in relation to fee disputes, because the relevant member or firm has not neglected to comply with ICAEW standards, guidance or regulations.

Where there are serious misconduct issues, ICAEW will consider whether the matter is of sufficient importance for it to be investigated by the FRC under the terms of the Accountancy Scheme. The Scheme was established in 2006 to satisfy the requirement of the Companies Act for RSBs to have 'satisfactory arrangements' for the investigation of matters of public interest.

Therefore, the threshold for whether a complaint is investigated by the FRC or ICAEW is whether the matter 'raises important matters affecting the public interest.'

Where this threshold is met, the ICAEW Conduct Committee has responsibility for referring matters to the FRC. Alternatively, the FRC have the power to 'call in' a matter and investigate a case where they deem it appropriate.

Appendix One: Example complaints process

