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# Are local government accounts trusted? Exploring the UK Levelling Up, Housing and Communities Committee verdict

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## IMPACT

This article examines why local government accounts are often not trusted. It is therefore important for finance professionals in local authorities, policy-makers who deal with local authority accountability, politicians involved in central and local government, and citizens. The article argues, first, that the accounts are not trusted because they are not trustworthy, for example lacking alignment to the democratic process and data to inform scrutiny of value for money. Second, the users of the accounts are vulnerable because they do not have the expertise to interrogate them and the accounts are not audited on a timely basis, meaning that figures are untested. Third, they are not used sufficiently to hold local government to account. The article recommends that practitioners use the conclusions of the committee to bring the accounts closer to their users and create and implement a proper audit regime for England which can audit the accounts on a timely basis.

## ABSTRACT

This article analyses the system of local government accounting and auditing in England and how successfully it is performing its role in supporting democratic accountability. To do this, the article asks whether the accounts of local councils in England are trusted by those who should be using them to hold local government to account. The article links trust in the accounts to their success both as transparency documents and as accountability documents. It argues that trust, transparency and accountability are related to each other rhizomatically, which is a relationship between concepts which does not presume a hierarchy between them. The article examines trust in local government accounts and its relationship to transparency and accountability through analysing the evidence submitted to a UK parliamentary select committee and the committee's subsequent report and finds serious deficiencies in England's system of local government accounting and audit.

## KEYWORDS

Accountability; accounting; auditing; democracy; Levelling Up; Housing and Communities Select Committee (LUHCSC); transparency; trust

## Introduction

Modern government is large and complex. It is involved in the provision of services like defence, welfare, healthcare, social care, education, housing, waste management and other benefits: sometimes these services are provided directly by government, sometimes with the participation of insurance markets or charities.

In democratic states, this brings with it the question about how all these services can be made accountable to the public and their representatives. This dilemma, as Ferry and Midgley (2024) argue, creates a requirement for accountability and transparency so that governments can both be democratic and meet the aspirations of their citizens. One way of dealing with this dilemma is for some services to be run at the local level by local government for their citizens. Again, there are a variety of methods for organizing and structuring local government throughout the world: some of which are more democratically independent of central government and some of which are more reliant on central government.

However, running services at a local level opens up a new issue as to how those local services should be held accountable. One way in which local government can be held to account is through accounts and audit. Most scholarship on accountability in local government has

focused on local government audit. Recent changes to the way that local government audit is structured in England have drawn the attention of scholars who have identified several missing facets in the system (Ferry et al., 2023). Scholars have argued that transparency efforts have to be placed in the context of other structures around the released data—including audit (Ferry & Eckersley, 2015a). There has been less attention in the literature to local government accounting. What scholarship there is often disagrees about the attitude of politicians to accounting information in local government, with some studies suggesting it is seen as part of a modernizing agenda, whereas other studies point to its limited use by political actors (Liguori et al., 2012; Jethon & Reichard, 2022).

The purpose of this article is to fill this gap regarding how local services should be accounted for to promote democratic accountability by examining a recent inquiry by the House of Commons Levelling Up, Housing and Communities Select Committee (LUHCSC) in 2023 in England, which focused on government accounts and audit. The committee took evidence from specialists, regulators, auditors and local officials and politicians about the state of the accounts and how far they served the purposes of transparency and accountability in local government in England. The committee's report and work on this issue needs to be seen

against the context of a developing understanding in England that the local government accountability and audit regime required reform (Ferry, 2019; Redmond, 2020; Murphy et al., 2023).

This article examines whether accounts are trusted within the context of local government accountability and transparency about the delivery of services. This emphasis on trust is new in accounting research. Scholars have frequently examined the role of accountability and transparency in local government (Ferry et al., 2015) but there have been fewer examinations of trust and its importance and relationship to concepts like accountability and transparency. The article therefore follows Ferry and Midgley (2024) (who performed a similar analysis on central government accounting) in using a framework designed by Oomsels and Bouckaert (2014) in which trust is composed of three elements:

- That an actor or process is trustworthy.
- That someone else is vulnerable to that actor or process.
- That they rely upon that actor or process and take decisions based on it.

In the context of accounts, Ferry and Midgley (2024) argued that trust was involved in a non-hierarchical relationship with two other concepts—accountability and transparency. This relationship means that as the level of trust in a system improves, the level of accountability and transparency also improves and that these concepts are intrinsically linked together. This is the main theoretical contribution of the article.

The rest of this article discusses how far local government accounts meet the criteria set out by Oomsels and Bouckaert (2014) for being trusted. The next section discusses the relevant literature about accountability, transparency and trust and explains how they are linked together in a non-hierarchical relationship—a rhizome. Then we explain the methodology we used. An analysis of the LUHCSC inquiry follows: we identify the issues the MPs discovered and discussed in local government accounting in England. The MPs directed criticisms to all the areas of trust that Oomsels and Bouckaert (2014) explained in their framework including the lack of purposes for local government accounting and the lack of benevolence with which the government steered the system. However, they identified issues that were not visible in Ferry and Midgley's (2024) study of central government accounting, like the lack of a competent auditor and any value for money scrutiny.

## Literature review

Ferry and Midgley (2024) discussed the theoretical rhizome appropriate to public sector accounts for central government. This article applies the same theory to public sector accounts for local government. In the literature review, therefore, we explain the rhizome but also bring out its different features within the sphere of local government accountability.

### *Local democratic accountability and local government bureaucracy*

Accountability has different meanings academically (Sinclair, 1995; Mulgan, 2000; Bovens, 2010) and the priority that a

political system gives to a value like liberty or administrative efficiency will alter the type of accountability preferred in that system (Funnell, 2007; Ferry & Midgley, 2022; Ferry et al., 2024).

Consequently, accountability takes diverse forms in local government, depending upon the constitutional framework of the country in question (Eckersley, 2017). Ferry et al. (2023b) demonstrated this in the case of audit, showing that the form of auditor established in each of the twenty countries studied in their sample depended upon the constitutional framework around local government. The auditor and the accounts sit within a wider context, including the local media, pressure groups and central government itself (Rönneberg et al., 2013; Ahrens et al., 2019).

Whereas, unlike in central government, local government may have its accountability regime imposed from the outside, accounting scholars argue that accountability regimes for local government have to be established with an awareness of legitimacy and the political context (Colquhoun, 2013; Ahrens & Ferry, 2022). Widespread doubts about the usefulness of an accountability or audit regime are an indication that it may not achieve its aims (De Widt et al., 2022; Ferry et al., 2023). These insights substantiate Warren's (2017) and Heald's (2018) contention that democracy is underpinned by a fundamental trust in the democratic system, and a distrust in particular politicians. In local government specifically, trust is tied to whether local authorities can be held to account: when the local authority electoral system represents effectively citizens living under it, they have higher levels of trust in local government (Fitzgerald & Wolak, 2016). Accountability may also be undermined if local authorities are not competent to make choices because they are constrained by their environment (for example, central government austerity) (Eckersley et al., 2023; Ferry et al., 2023). Achieving accountability also is related to transparency. Transparency has often been thought of as a prerequisite for democracy (Hood, 2006; Heald, 2012; Ferry et al., 2024). However, it also structures the type of accountability available to citizens, for example, changing the way that local government information was published in England changed the nature of accountability (Ferry & Eckersley, 2015; Murphy et al., 2017).

### *Transparency in local government*

Transparency and accountability are intertwined concepts which can be matching parts, Siamese twins, or an awkward couple within a political system (Ferry et al., 2015; Hood, 2010). Indeed, the triptych definition advanced in Hood (2006, pp. 5–8) shares some common features with accountability: that government should be bound by rubrics, transactions more generally should be open and that social affairs must be readily 'knowable'.

The concept of transparency for Heald (2006, p. 26) requires open information and a belief that recipients of the information have the capacity and capability to use what is published. Heald (2006) categorises multiple informational flows in transparency regimes: from the junior people upwards to their superiors, downwards from governors to the governed, through the perimeter of an organization from the outside and back through that perimeter from the organization into the world. A well-

structured transparency regime can result in linked accountability, legitimacy, and management benefits (Hyndman & McConville, 2018). Yet these benefits may not accrue to all transparency regimes. In the outward accountability model outlined by Heald, information entering an organization may reveal little about internal performance. Nor may all forms of transparency be benign. O'Neill (2006) argues it can empower producers of information rather than users. The lay citizen may also be at a relative disadvantage compared to pressure groups who have the capacity and therefore power to retrieve information (Ferry & Eckersley, 2015a; Schudson, 2020). Heald (2006a) argues transparency can hinder good decision-making and encourage conflict. These effects are amplified in a media landscape which magnifies blame and negative reporting (Heald, 2012). Transparency regimes can also trigger a chilling effect where information producers are incentivized to obfuscate, delay, and reduce information quality (Ferri et al., 2023; Renteria, 2023).

Accounts are often seen as a form of transparency within local government (Peebles & Dalton, 2022). Accounts reveal the assets and liabilities of parts of the public sector (for example municipal corporations) that otherwise might be invisible (Donatella et al., 2024). Bradley et al. (2023) and Ferry et al. (2023) argue that accounts and audit should mediate between local councils, citizens, and politicians. However, Reichard (2016) and Jethon and Reichard (2022) criticise local government accounting for presenting information to politicians that they are not interested in. Peebles and Dalton (2022) found that 50% of surveyed backbench English local councillors 'reported that they either did not understand, or only marginally understood, the finance activities that went on in their local authorities': the precise group who should be using the accounts to hold the local council to account. The demise of local audit in the UK has reduced transparency by moving to make pure financial conformance and technical quality the hallmarks of local accountability (Ferry et al., 2023). Typically, the transparency of accounting has been buttressed by intermediate institutions such as the press, thinktanks and others who explain the information provided in a technical document like an account to a non-technical audience (Rutherford, 1992).

Transparency is linked to accountability and trust. In exactly the same way as accountability, transparency becomes more important with larger local authorities with more responsibilities (Baldissera et al., 2023). Conversely, the same practices that damage accountability damage transparency and vice versa (Murphy et al., 2017; Bergh & Erlingsson, 2023). Similarly, information must be trusted before it can be used. Politicians reject information for emotional reasons such as distrust (Heald, 2012; Lapsley, 2022). Transparency therefore depends upon accountability and trust to provide its benefits.

### Trust and trustworthiness

Trust is a ubiquitous concept (Arrow, 1972; Putnam, 2000). There is a huge literature on the meaning of trust. Many scholars see trust as intrinsically relational (Robbins, 2016). This article follows that line of thinking through Oomsels and Bouckaert's (2014) definition of trust.

Oomsels and Bouckaert (2014) define trust by describing three ideas:

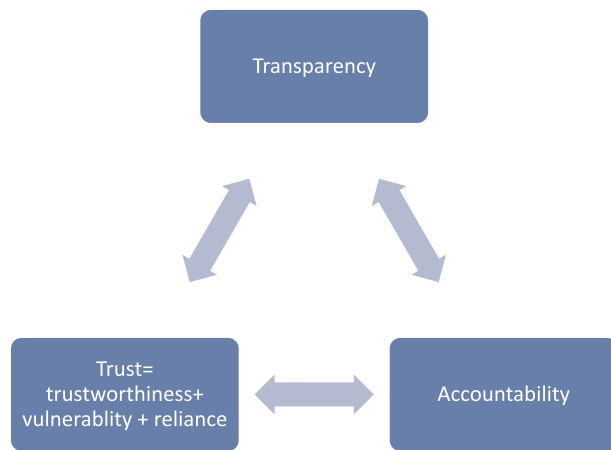
- First, trust begins with trustworthiness. Trustworthiness is defined by Oomsels and Bouckaert (2014), following Mayer et al. (1995), as composed of integrity, benevolence, and competence. Integrity here means that the trustworthy person has the same agenda as the person who is trusting them. Benevolence is defined as the trustworthy person having a caring attitude to the person trusting them. Competence means that the trustworthy person is capable of delivering on their promises. These concepts have been used in the accounting literature to analyse the role of audit and accounts in building trust in the public and private sector (Mueller et al., 2015; Ferry et al., 2024a).
- Second, trust involves a situation in which the trusting person is vulnerable to the trustworthy person.
- Third, the trusting person must rely on the trustworthy person to take an action or perform their function (Oomsels & Bouckaert, 2014).

Discussions of trust in local government largely follow ideas in common with this framework. With regard to trustworthiness, many articles on citizen's trust in local government focus on Oomsels and Bouckaert's categories, without necessarily employing their framework. Wilkinson et al. (2019) found participatory budgeting in local authorities was less trusted when citizens thought its use was tactical—to produce justifications for predetermined outcomes like austerity. Corruption has been a concern about local government historically for both citizens and central government (Ferry et al., 2023a). Denters (2002) and Fitzgerald and Wolak (2016) argue that poor performance (and hence incompetence) undermines trust in local government. Specifically in the case of local government accounts, Liguori et al. (2012) found politicians comfort with accounts increased when they saw accounting standards as a marker of competence. Denters (2002) suggested that citizens saw performance often as a proxy for integrity. Citizens are obviously vulnerable to local government when it comes to accounting. Without an effective auditor, citizens often lack the appropriate data, or means of analysing such data effectively, to hold their local authority to account (Ferry et al., 2023). Ferry (2019) argued therefore that audit was 'pivotal' for local democracy. In a democracy, citizens require this information to make decisions about politicians and policy (Ferry et al., 2024).

Trust in this case is related back to accountability and transparency. Without accountability, it is unclear that citizens can trust in the tier of government and a large literature connects citizen representation to trust (Fitzgerald & Wolak, 2016). It is also clear that transparency, too, is connected to trust in local government with the demand for transparency a direct result of both trust and mistrust in the institutions of government (Piotrowski & Van Ryzin, 2007).

### The rhizome

Ferry and Midgley (2024) suggested that in central government accounting these different features are related together rhizomatically, as shown in Figure 1. None of these concepts logically precedes the other: rather, all three are



**Figure 1.** The Rhizome between trust, accountability and transparency.

related and the quality of trust, accountability and transparency will fluctuate in relationship to each other. For Deleuze and Guattari (1988), the rhizome is an image of this because it involves no hierarchical relationship between the concepts but, rather, stresses their interdependence and interlinkedness.

The directions of the arrows represent the fact that each concept depends on both of the other two and none has priority over the others—rather they are related rhizomatically.

## Methodology

### Research case

This study focuses on an inquiry by the LUHCSC during 2023 focused on Local Government Accounts. The article also used material from a more recent inquiry by the LUHCSC into the Office for Local Government (OFLOG) in 2024. The main inquiry we examine by the LUHCSC was inspired from two sources. First, the committee were aware of previous work by the Public Administration and Constitutional Affairs Committee (PACAC) (2017) on central government accounts and, second, they were directly inspired to act by the Public Accounts Committee (LUHCSC, 2023, p. 6). Their inquiry into OFLOG overlapped to some extent with their work on accounts (LUHCSC, 2023a).

LUHCSC held four evidence sessions in the main inquiry examined in this article and received 28 evidence submissions from 27 interested parties. They took evidence from participants in the local government accounting and auditing system including the regulator, the Financial Reporting Council (FRC), the UK's Supreme Audit Institution, the National Audit Office (NAO), and accounting bodies like the Institute for Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Public Finance and Accountancy (CIPFA), expert academics and commentators on local government, local councillors and other users of accounts and ministers and civil servants from the government.

The membership of the LUHCSC committee was diverse and included an experienced chair with over 20 years of parliamentary experience (including being chair of LUHCSC and its predecessor committees since 2010), a former shadow minister, four former council leaders (Betts, Blackman, Hollern, and Lewer) and five former councillors.

Local government in the UK is a devolved matter—so Scotland, Wales and Northern Ireland have different institutional arrangements to England (Ahrens & Ferry, 2022).

In England, there are various tiers of local government which have various responsibilities and powers (Sandford, 2024). Together, local authorities in England spend approximately £100 billion a year on a variety of different services, including adult and children's social care and libraries (LUHCSC, 2023, p. 5). The account is the main accountability document for this spending. A code of practice governs the preparation of accounts by local authorities: they follow this code as part of their overall commitment to proper financial management practices set out by statute (Local Government Act, 2003). Private sector firms audit these accounts and are regulated by the regulator of private sector audit, the FRC. This system of private sector audit replaced a different system superintended by the Audit Commission, a public sector agency, in 2015 (Sandford, 2024a). In 2020, Sir Tony Redmond was commissioned to examine local public audit arrangements: his review suggested widespread disquiet about the way that local government audit and accountability were structured (Redmond, 2020; Murphy et al., 2023; Ferry, 2019). Following Redmond's review, the private sector audit regulator was to take on a role as a system leader for local government audit: the government said it would legislate to do this, but the legislation has not yet been published (Sandford, 2024a). The government set up a new body in 2023, OFLOG, which has the responsibility for the presentation and publication of some performance data about local government but has no responsibility for audit (Sandford, 2024a).

### Research methodology

To interpret the hearings of the LUHCSC committee, the transcripts of the hearings, the live recordings and videos and the reports were read and discussed between the authors. The authors followed the iterative model described by Ahrens and Chapman (2006) where the inquiry and its evidence were discussed and re-discussed between the authors and themes were drawn from the evidence in the inquiry. Two of the authors of this article gave written evidence to the committee, one gave oral evidence to the committee, and the other gave oral evidence to the later OFLOG inquiry by the committee. One of the other authors of the article served as the committee's advisor during the hearing. The two other authors were unconnected to the committee's inquiry but have supplied a check on any biases from those who were involved.

## Findings

The findings are set out here against the categories of trust: trustworthiness, vulnerability, and action (Oomsels & Bouckaert, 2014). However throughout, we also point out how these categories link to ideas about accountability and transparency.

### Trustworthiness

The first element of Oomsels and Bouckaert's (2014) framework was trustworthiness, defined as integrity,



benevolence, and competence. In terms of integrity (that accounts conform to their democratic purpose), MPs on the committee were focused, in Clive Betts, the chair's words, on what 'role should they [accounts] have in supporting local accountability and democracy' (LUHCSC, 2023b, Q2). Bob Blackman MP, for example, identified a failure in the transparency provided by the accounts and asked the minister whether the accounts were suitable for democratic accountability: 'if we are talking about democracy and the ability of a voter or constituent to look at this and say, "Aha! I see where the money has gone", it is very difficult to look at local authority accounts and substantiate that, isn't it?' (LUHCSC, 2023e, Q214). Witnesses agreed in general that accounts did have a role in supporting democracy: Sarah Rapson (from the regulator, the FRC) told the committee that accounts were 'a vital part of local democracy' and Lynn Pamment from the Financial Reporting Advisory Board (which advises the Treasury on financial reporting in government) told the committee 'local government accounts should support democracy and accountability' (LUHCSC, 2023b, Q2; LUHCSC, 2023c, Q123). The arguments made by Rapson, Pamment and Blackman identified the integrity of the accounts with the transparency and accountability that those accounts provided.

Regarding integrity, the committee noted that there was confusion between their witnesses about who the main users and what the purposes of local government accounts and audit were (LUHCSC, 2023, p. 9). Gareth Davies, the Comptroller and Auditor General (Head of the UK's Supreme Audit Institution, the NAO) agreed, calling for 'a fundamental review of the purpose of local authority accounts' (Davies, 2024).

The committee itself was clear that the accounts should be designed so that 'the public and other stakeholders should be able to use these accounts to understand what is happening at the local authority, and then use what they have learned to participate more fully in local democracy and accountability' (LUHCSC, 2023, p. 5). The committee broke down this overarching purpose into five subsidiary purposes. They said accounts should provide a 'credible public record', 'accountability for public spending', data 'to understand the value for money offered by the authority's spending', data to 'enable councillors and officers inside the authority to understand the financial activity, financial position, financial sustainability, and resilience of the authority' and should 'enable the public, oversight bodies and central government to understand the financial situation' of the local authority (LUHCSC, 2023, pp. 11–13).

The committee proposed these purposes because they saw a gap. The committee found that the published code which set out the regulations for local government accounts 'does not refer to the wider underlying role of the accounts to support local democracy and accountability' (LUHCSC, 2023, p. 14). Witnesses told them that currently 'the standards are not designed for straightforward accountability to the public' (LUHCSC, 2023c, Q123). Michael Hudson, from Cambridgeshire County Council, told them that 'the income and expenditure and the notes to the accounts—is predominantly compiled for the auditors' and, hence, did not provide transparency to the intended users of the accounts (LUHCSC, 2023d, Q148).

Regarding competence, the committee found significant issues. The most immediate of these was the fact that, at the time of the committee's hearing, many council accounts had not been audited. The NAO reported in January 2023 that only 12% of local authorities had received an audit opinion on their accounts within the statutory deadline for the year 2021–2022 (Comptroller and Auditor General, 2023, p. 4). There was further decline later: 'only five audits of local authority 2022–23 accounts were completed by the November 2023 deadline—about 1 per cent of the total' (Davies, 2024). Witnesses said these delays had a significant impact on trust. For example, Lynn Pamment told the committee that:

*... the fundamental purpose of audit is to create trust in society so that they can trust the information that is produced as fair, balanced and understandable by local authorities. Audit plays a fundamental role in creating and building that trust. Clearly, late audits do not generate trust (LUHCSC, 2023c, Q129).*

These issues with competence do not just lie with the auditors: the NAO reported in 2021 that 'local authorities reported increasing pressures, especially in maintaining staff capacity and capability within their finance functions' (Comptroller and Auditor General, 2021, p. 25). Horsham District Council (2023) agreed. These problems were linked: Gerald Almeroth from Westminster Council said the auditors did not 'have time and space' to provide advice to local authorities and 'the culture is not right in those private audit firms to do that' (LUHCSC, 2023d, Q155). LUHCSC pointed out that 'accounts are only useful for supporting local democracy and accountability when they are delivered in a timely way: when they are delayed, the accounts become practically useless' as transparency and accountability documents (LUHCSC, 2023, p. 18). In this case, the failure to achieve transparency and accountability was a cause for the committee's doubts about the competence of the accounts preparation process. The committee described this issue with timeliness as an 'unacceptable crisis ... in which delays create further delays' (LUHCSC, 2023, p. 19).

The issues with competence were not solely focused on the timeliness of local audit opinions but also on data focused on value for money. Clive Betts, the committee's chair, pressed witnesses on subjects like contracting where he argued that with regard to 'transparency, the audit process should be producing information that the public, as well as councillors, can look at' (LUHCSC, 2023b, Q94). However, the LUHCSC heard that the auditing and accounting systems were not developed to produce this information. Dr Midgley pointed out that 'the [local government] audit code does not invite the auditor to make a comment on value for money itself, which is an important limitation' (LUHCSC, 2023b, Q91). Under the audit code, the auditor only comments on whether 'the audited body has put *arrangements* in place that support the achievement of value for money' (NAO, 2020, p. 16). Professor Ferry, giving evidence to the committee in a subsequent inquiry into OFLOG, pointed out that OFLOG, set up to provide some of this information, 'have no value-for-money audit expertise' and were only publishing 'very basic KPIs—key performance indicators' (LUHCSC, 2024, Q101). The flaws in this approach was revealed in April 2024 when OFLOG published data without any context

allowing a newspaper to republish the data unfairly identifying the ‘worst performing councils’ in England (Ellson, 2024). Transparency, as Betts argued (LUHCSC, Q94), was therefore dependent on the systems designed to produce it being competent.

If competence and integrity were undermined within the system, then so was benevolence. Several witnesses gave evidence that the mechanisms to encourage participants to create timely accounts to support democratic accountability were not present. Sir Tony Redmond, for example, when asked about the local audit delays told MPs that ‘the integrity of the process is lacking as to who does what and by whom they should be [held] accountable’ (LUHCSC, 2023b, Q44). The committee discovered opacity was designed into the local government system. The code, which governs local accounting and sets out what local accounts should include, costs £365 (hard copy) or £760 (digital version) (LUHCSC, 2023, p. 14). Rob Whiteman (then CIPFA) admitted that this was ‘too high a price’ for an average citizen to pay (LUHCSC, 2023c, Q138). The committee pointed out that this price restricted transparency over the accounts, as even some local officials could not access the code (LUHCSC, 2023, p. 15). The committee argued that making the code accessible to any user of the accounts would ‘serve to keep the agreed purposes of the accounts visible’ and hence transparent (LUHCSC, 2023, p. 15).

More broadly, though, concerning benevolence, the committee pointed out that the government did not seem intent on fixing the system. In 2020, the Redmond review had recommended that a system leader should be created which focused on local government audit alone (Redmond, 2020). The government rejected this recommendation and suggested that a new private sector regulator, created to meet a separate crisis in private sector audit, should take on the role additional to its other responsibilities (Ministry of Housing, Communities and Local Government, 2021). Professor Heald, in his evidence to the committee, argued this undermined the benevolence of the system underpinning audit and accounting: he said ‘the government’s alternative of a unit within the Auditing, Reporting and Governance Authority (ARGA) risks that the ARGA will be dominated by private sector corporate audit interests’ and consequently would not understand the unique demands of public sector accountability and transparency (Heald, 2023). Despite this, even in the context of the government’s limited attempt at regulation, the LUHCSC detected that ‘there appears to be little or no forward momentum or urgency in the government to introduce it’ (LUHCSC, 2023, p. 24). In 2024, despite the committee’s observations and recommendations, they heard from Professor Ferry, Rob Whiteman of the CIPFA and Ed Hammond from the Centre for Governance and Scrutiny that a systems regulator had still not been created and the legislation had still not been drawn up (LUHCSC, 2024, Q110) reinforcing the lack of benevolence in the system and suggesting that neither accountability nor transparency would be secured soon. The July 2024 King’s Speech (the UK government’s announced programme for legislation in the next session of parliament) referred to ‘draft legislation’—meaning that final legislation would likely not appear in parliament for a further year at least (UK Government, 2024).

### Vulnerability of users

The second element of Oomsels and Bouckaert’s (2014) framework was vulnerability. Trust occurs when users are vulnerable and are unable to protect their own interests. Users are vulnerable in the context of accounting information both because they rely on others to assess its validity as transparent data and because they require others to explain its meaning to them so they can use it to hold people to account.

First, with regard to checks on the validity of the information, the key function in respect of accounts is audit. Gareth Davies, the Comptroller and Auditor General, told the MPs that ‘without an independent audit, it is very hard for those using the accounts to trust their accuracy. A fundamental purpose [of audit] is to build trust in the financial reports being produced by any organization, in this case by the local authority’ (LUHCSC, 2023c, Q105). Ian Byrne, an MP on the committee, was struck by Davies’s comment and argued that in the context of diminishing trust in politicians, audit represented a ‘bedrock of confidence and trust’ (LUHCSC, 2023c, Q105). Alison Scott, from Three Rivers Council and Watford, agreed that the absence of audit was a problem, she said that ‘some of that value around the assurance—the issues that you had if you did not have full assurance on your fully unqualified set of accounts—has gone’ (LUHCSC, 2023d, Q146). Councillor Abi Brown (Stoke on Trent) and Councillor Tudor Evans (Plymouth) agreed: as Councillor Brown put it, ‘where accounts are not audited promptly, as an elected member you do not have that reassurance to convey to your residents’ (LUHCSC, 2023d, Q189).

Second, accounts which are unclear and come without explanation undermine trust. Rob Whiteman told the committee about ‘a real risk that if people do not understand the accounts, they appear opaque and therefore may appear untrustworthy’ (LUHCSC, 2023c, Q124). Whiteman’s statement clearly linked untrustworthiness to a lack of transparency. Norfolk Council (2023) told the committee that users of the accounts ‘find the accounts to be ‘too long-winded’, ‘technically incomprehensible’ and not relevant for their specific interests in Council services’. The committee heard from witnesses about the importance of intermediaries who, in the words of Dr Midgley, are ‘processing information, digesting it and presenting it in different ways’—in effect ensuring transparency (LUHCSC, 2023b, Q86). Councillor Abi Brown told the committee that when it came to the scrutiny of the local council, ‘there is a huge amount of support for councillors within their local authorities, whether that is provided by themselves or indeed by the LGA’ (LUHCSC, 2023d, Q191). However, the Local Government Association have also commented that councillors ‘rarely receive a comprehensive induction in which all their roles and responsibilities are clearly set out from the start ... The financial aspects of the role can often seem opaque, unclear and rather technical’ (Local Government Association, 2022). This evidence suggests that councillors do not merely not understand the information causing a lack of transparency, but also lack an understanding of their role in providing accountability. Moreover, citizens lacked these sources of advice. The MPs could see the demise of institutions charged with digesting

and explaining the accounts to citizens. Bob Blackman, a former councillor, noticed this problem: he recalled that ‘in my time in local government, we started off with council chambers full of people. Now, you would be lucky if you got one or two and certainly you get no local reporters at all’ (LUHCSC, 2023b, Q87). The committee heard evidence that even intermediaries struggled to read the accounts. Civil society organizations, who act as intermediaries for the public, translating and synthesizing accounting information from local authority accounts, said they ‘find it difficult to get the information they want from them’ (LUHCSC, 2023, p. 8). In this sense the absence of trust (lowering the vulnerability of potential users) was clearly related to a lack of transparency—as users found the accounts confusing and did not receive assistance in understanding them.

### Action–Use of accounts

The third element of Oomsels and Bouckaert’s (2014) framework was action, where to demonstrate trust they argue that people have to rely on the information provided and take decisions based on that. There was plenty of evidence during the inquiry that councillors and citizens do not use accounts within the accountability mechanisms of local government because they do not find in them what they see as a transparent account of local government.

Many witnesses suggested that the accounts were not used. Some did so by providing reasons. For example, Alison Scott, shared director of Finance for Three Rivers District Council and Watford Borough Council, argued that at her council the accounts were never used for accountability purposes: she said that ‘at the moment, there is no point taking those audited accounts to council, because it is past history by the time that they get there’ and said that the delays meant that ‘my councillors have almost stopped asking me when the accounts are going to be audited’ (LUHCSC, 2023d). Councillors agreed that the audit crisis affected the levels of readership but pointed out that there were wider problems: Councillor Evans, the leader of Plymouth Council, said that accounts were ‘a daunting read if you are an experienced reader of financial reports, let alone for the average punter, and that includes the average councillor’ (LUHCSC, 2023d, Q190). The government minister, Lee Rowley, an accountant and former councillor told the committee that ‘despite his previous experience working for an accountancy firm, he could not recall ever having used the accounts in eight years serving as a local councillor because the accounts were so complicated’ (LUHCSC, 2023, p. 9). As Ferry and Midgley (2023) stated in their evidence to the committee, the minister’s confession did not make him unique: they cited recent research (Peebles & Dalton, 2022) which established that 50% of council backbenchers did not understand the accounts and so could not use them for accountability purposes.

If accounts are not used by councillors, then evidence to the committee argued that they are even less likely to be used by members of the public. Dr Anthony Fraser told the committee that he agreed accounts were there to support transparency and accountability, but ‘reality falls well short of this in practice’ (Fraser, 2023). Knowsley Council told the committee that ‘the technical nature of local authority accounts means that, in isolation, they are not sufficiently

accessible to provide adequate measures of assurance to many residents’ and Manchester City Council told the committee that accounts are ‘difficult to interpret for those who are not accountants’ (Knowsley Council, 2023; Manchester City Council, 2023). Given that information must be usable to be transparent, the councils were reporting that without further analysis the accounts did not provide transparency. The committee said that ‘the volunteer-run civil society organization People’s Audit... told us almost no citizens look at local authority accounts’ (LUHCSC, 2023, p. 8). This aligns with findings from an investigation in 2019 by the Bureau of Investigative Journalism, which claimed that ‘several of the Bureau’s volunteers were told that they were the first people to ask to inspect their authority’s accounts for decades’ (Bureau of Investigative Journalism, 2019). The Redmond review found similar issues: Redmond (2020, p. 60) said that, ‘when asked whether local authority accounts allow the user to understand an authority’s financial performance and its financial resilience, 93% of respondents said no’ suggesting a clear lack of transparency. The committee argued, based on this ‘anecdotal’ evidence, that local government accounts ‘are currently used rarely and by only a few people’ (LUHCSC, 2023, p. 8). Hence many of the submissions suggested that the accounts could not play the accountability role that government and others required them to do.

This demonstrates that, for a variety of reasons, the third condition of Oomsels and Bouckaert’s (2014) prescription regarding trust—usage—is not present.

### Concluding discussion

In terms of theoretical contribution, local government, just like central government, has to be held to account and one medium to do this is through the audited accounts. This article follows a piece by Ferry and Midgley (2024) which analysed the role of accounts in central government. The main similarity between the two articles is that they both identify a rhizome involving transparency, accountability, and trust. This article shows how far these different concepts are intertwined. Failures, for example, to present comprehensible, audited information undermine transparency as citizens and councillors cannot use the data, they undermine accountability as the councillors cannot use them to hold the local authority to account, and they undermine trust too. The main argument of this article is that these failings cannot be seen in isolation but failure against each concept affects the others too.

The failure in local government accounting in the UK has many similar causes to that of central government accounting in the UK. In local government as in central government, the accounts were not designed for democratic purposes, as defined by the committee: credibility, accountability, value for money, helping local authorities manage themselves, and public reporting of actual and potential issues (Ferry & Midgley, 2024; Ferry et al., 2024a; LUHCSC, 2023, pp. 10–13).

However, in local government there are additional issues. The lack of a community of users is exacerbated by the lack of local intermediaries who can explain accounting data. Even more profound, the lack of an effective auditor means that external users cannot trust that the accounts are



competently put together. Without an audit, it is impossible to know that the accounts are truly transparent and council finance officials are not accountable for how they put together the accounts according to the existing rules. Local government accountability systems are therefore even less trusted than central government accountability systems: they have the same issues regarding how the accounts are put together, but a lack of intermediaries and audit mean that the issues for trust, transparency and accountability are graver.

The findings also have policy and practice implications:

- It is necessary for policy-makers to ensure that there is an independent audit function which is capable of auditing accounts in a prompt and proper fashion. Witnesses repeated to the committee that old information is practically useless for the purpose of accountability and transparency and undermines trust in the system.
- Regarding practice, the data has to be produced with a clear accountability purpose: as the public sector in England is accountable for not just what it spends but how successfully that money is spent, reporting has to incorporate that. A set of reports which fail, alongside audit, to secure scrutiny of value for money is going to engender less trust and will not make local government accountable or transparent. In the context of local audit, Ferry et al. (2023b) argued that audit has to fulfil its constitutional mission to be successful: this article extends that principle to local government accounts, demonstrating that they have to have a clear rationale behind them
- The article demonstrates that a proof of whether something is trusted is whether people rely on it or use it: ultimately, the Oomsels and Bouckaert (2014) theorization enables us to link back a lack of use in practice to earlier policy failures to set out clearly the constitutional functions of accounts and audit in English local government.

The new government elected in 2024 has committed to 'overhaul the local audit system, so taxpayers get better value for money' (Labour Party, 2024, p. 41). These conclusions should help inform that work.

These issues have been the subject of active debate in the world of local government audit, with questions asked over the definition of 'value for money' (Dossett, 2019; Ferry et al., 2015; Ferry, 2019). Accounting and audit data forms only a part of the wider accountability ecosystem that underpins trust and democratic legitimacy in local authorities. Citizens will also seek accountability for the policy-making and decisions that arise from the use of public funds (Bradley et al., 2023). However, drawing links between accounting data and tangible programmes can be difficult: at the most basic level, local authorities' accounting data is not necessarily broken down according to a local authority's core spending programmes.

To the extent that intermediaries can re-present data so as to overcome this type of shortcoming, they contribute to local authority transparency and public understanding—and thus to democratic accountability. So too does airing and challenging local authority policy-making within a political forum, such as a full council meeting or an overview and scrutiny committee. The transparency and

challenge—and in part the theatre—of public and political procedures complements financial data. Both the fact of the procedure itself, and the matters discussed and outcomes, serve to grow public trust in local authority activity. It is easier for members of the public to rely on, and trust in, clear and succinct analysis than the (partly unavoidable) complexities of accounting data. For future research, this article opens up several different avenues. First, this article concentrates on audit and accounting as a system of accountability rather than placing that system in a wider context of the fragmentation of local democracy in the UK; integrating the study of trust, transparency and accountability though offers further opportunities to study this wider fragmentation and accountability systems place within it. Second, there is potential to extend this analysis internationally to see if the problems occurring in England occur elsewhere as Ferry et al. (2023b) did in the case of local public sector audit. Third, scholars may be able to illustrate more fully this rhizome in other contexts: exploring it for example in countries where there are different failures which effect it differently.

## Disclosure statement

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