

Government can release resources and improve accountability by tailoring governance and audit requirements for small public bodies

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Small government bodies find it challenging to comply with requirements on how they should be run effectively and find the preparation and audit of their annual reports and accounts increasingly costly and time-consuming, according to a new [National Audit Office](#) (NAO) report.

Government issues a range of requirements in areas such as counter fraud, digital, human resources and security to ensure that public bodies (which include departments, arm's-length bodies and other organisations) carry out their functions with efficiency, accountability and transparency. These requirements are important to protect the public purse and promote public trust, but complying with them involves time, effort and cost.

While the functional requirements are designed to be applied in a way that is tailored to organisations of different sizes, complexity and level of risk, small bodies find it hard to work out which requirements are appropriate for their operations because they often have fewer people, less in-house expertise and more limited resources than their larger counterparts.

These small bodies have indicated that they would like more support to help with compliance in the form of tailored self-assessment checklists and greater involvement in knowledge-sharing forums such as conferences and webinars.

Although there are some examples of departments adopting innovative approaches to overseeing how their arm's-length bodies comply with requirements, oversight remains inconsistent across government.

When it comes to annual reports and financial statements, the same reporting requirements apply to most UK central government bodies, regardless of size, complexity and level of risk.⁴

This is not the case with small private companies and charities in the UK, nor with small government bodies in countries such as New Zealand and Portugal, where there are exemptions and simplified requirements.

In recent years, the annual reports and accounts of organisations in all sectors have become longer and more detailed, and external audits have grown in scale and cost, partly due to changes to reporting and auditing standards and to increased regulatory expectations for audit quality.⁵ This has a greater impact on small bodies as their resources are more constrained.

To ensure that the financial reporting requirements for small bodies are meaningful and proportionate, government should work with departments to develop a consistent approach to deciding which bodies may be eligible for 'light-touch' reporting requirements where the risk to public money is low.

The NAO has also identified five points for the government to consider when it sets new requirements for government bodies:

- understand the costs of implementing requirements for small bodies;
- consider whether the benefits of new requirements outweigh the costs, especially for small and low-risk organisations;
- tailor requirements to organisations of different sizes where this results in a better cost-benefit trade-off;
- clearly communicate the rationale for new requirements; and
- consider whether new requirements can replace or streamline existing requirements.⁶

Gareth Davies, head of the NAO, said:

"The government is implementing ambitious plans to provide greater autonomy to individual public bodies and streamline regulations to increase efficiency and productivity.

"In doing so, it has an opportunity to review the requirements placed upon smaller public bodies to ensure that they achieve an optimal balance between accountability, transparency, efficiency and continuous improvement."