

26 July 2023

Dear Section151 Officer colleagues

Local Audit market update

Ministerial announcement

Lee Rowley MP spoke at the Department for Levelling Up, Housing and Communities (DLUHC) Committee on 17 July 2023, as part of an inquiry into Financial Reporting and Audit in Local Authorities and outlined a series of proposals in relation to public sector audit. We understand that the Minister wrote to Authorities on 19 July 2023, sharing the proposals discussed at the Committee on 17 July 2023. We have attached a copy of the Minister's proposals for information.

Audit plays a vital role in underpinning trust, transparency, and confidence in local authorities, and we are committed to our role in serving the public interest by delivering consistent high-quality audits. The challenges facing the existing framework for local authority audit are well-documented and have been highlighted by auditors, the Redmond Review, the National Audit Office, the Local Government Association and Parliament. EY has worked closely with relevant stakeholders, providing insights as DLUHC and the Minister developed their proposals and we will continue to do so.

We welcome the proposals and recognise the need to re-establish the local authority audit framework on a more sustainable basis. The Government's proposals will reset local authority audit, with auditors able to focus on providing assurance on public bodies' most recent financial statements.

As set out in the Minister's letter to the Committee and covering letter to S151 Officers, the proposals will be subject to further work and engagement across the system over the summer, with an intention that, subject to the conclusion of the appropriate details, agreed changes will be implemented by the end of this calendar year. We will continue to engage in this process.

Next steps

We understand that you may have questions about how the proposals may potentially impact your organisation. We are working hard to understand the detail behind the proposals and the actions that may need to be taken.

As we work through this over the coming months, your audit partner will be in contact to set up an initial discussion on the impact. We will also want to work with you to discuss how we participate in broader conversations with other relevant stakeholders in your authority, such as the Audit Committee and Chief Executive.

The Minister's proposal offers all stakeholders an opportunity to reset the system and we would welcome and encourage you to consider what opportunities this might present to your authority and discuss these with us. Once again, we remain committed to achieving the reset of the local audit system and look forward to working collaboratively with you over the coming months.

If you have any questions in the meantime, please don't hesitate to contact your key audit partner, or indeed me.

Yours sincerely



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for and on behalf of Ernst & Young LLP