



Levelling Up, Housing and Communities Committee

Simon Hoare MP
Parliamentary Under Secretary of State for Local Government
2 Marsham Street
London
SW1P 4DF

25 March 2024

Dear Simon,

I am writing to you, on behalf of my Committee, regarding the [Government's response](#) (5 February 2024) to our Report into [Financial Reporting and Audit in Local Authorities](#) (24 November 2023).

We are grateful to the Government for its response, and we support the Government in promptly implementing its actions to address the backlog in local government audits (recommendations 4 and 13 in our Report). We have also reviewed the consultations launched on 8 February 2024 by the Department for Levelling Up, Housing and Communities and the National Audit Office into these actions, which provided detail to the proposals that had not been included in the Government's response to our Report.

We are broadly satisfied with the direction the sector is moving to address this urgent issue. However, we have concerns that many of our other recommendations, which do not directly focus on the audit backlog, have not been fully addressed and engaged with in the Government's response. We would therefore be grateful if you could respond to our following points:

(1) De-prioritised timeframes (Recommendations 8-10 and 14):

We agree that it is sensible for the Government to prioritise actions to clear the backlog, we would also expect the Government to have provisional timeframes for their other agreed actions once the backlog is cleared. The actions which we are most concerned with relate to: reviewing legislation around local authority accounts to ensure it remains fit for purpose, introducing the standardised statement of service information and costs first suggested in the Redmond Review, and considering whether there is a need to update guidance to auditors on using their existing powers to raise issues.

Please could you confirm when the Department will:

- **review the relevant legislation around local authority accounts (recommendations 8, 9 and 11);**
- **introduce the standardised statement of service information and costs (recommendation 10); and**



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- **decide whether new guidance is needed on auditors using their existing powers (recommendation 14).**

(2) Making the Accounting Code freely available to users (Recommendation 3):

In our Report, we recommended that the Accounting Code be made freely available to users of the accounts. In its response, the Government explained why the Accounting Code is not currently available for free to all users (repeating information we had already included in our Report) and noted that “We [the Government] accept it may be beneficial to consider what else can be done to encourage the use of the Accounting Code and will consider this alongside CIPFA as it takes steps to reform local authority financial reporting.” **Please could you confirm whether the Government has now ruled out making the Accounting Code freely available to users (as one of the ways it could encourage the use of the Accounting Code)?**

(3) Establishing ARGA as local audit system leader (Recommendation 6):

In its Response, the Government reaffirmed its support for the establishment of ARGA as the local audit system leader. We set out in our Report that this would require primary legislation to give the system leader the powers it needs to adequately address weaknesses in the system but that, despite this, the Government has made no visible progress on putting forward or passing this legislation over past years. Although such legislation is led by the Department for Business and Trade, it is self-evident that the Department for Levelling Up, Housing and Communities must have role in this too. The Government’s Response seems to only repeat what we have previously been told without providing any new information. **What is the timeline is the Government working towards for passing legislation to establish ARGA as the local audit system leader?**

(4) Role of the system leader (Recommendation 7):

In our Report, we recommended that the local audit system leader must be the primary point of contact to which local auditors can escalate matters of concern, and to coordinate responses to systemic or widespread issues. The Government’s response disagrees with this recommendation with the instead being stated that this is the responsibility of the Department for Levelling Up, Housing and Communities (although the Response notes that the Department can explore introducing a similar mechanism for the system leader).

This is, however, concerning especially given that the Government’s response also states that: “The local audit system leadership function has been established to ensure better integrated working across the system and to ensure a coordinated and coherent response to issues arising”.

Please could you set out how the Government will support the system leader to ensure a coordinated and coherent response to issues arising if it is not informed of what those issues are in the normal course of its duties?



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(5) Delivering accepted recommendations

Finally, many of the recommendations which the Government have accepted may take considerable time to implement. In addition to those we have already mentioned above, these include the actions to formally adopt the purposes of local authority accounts in a Government policy document. **Please could you confirm which of the recommendations you intend to implement before the forthcoming UK General Election which is expected later this calendar year?**

We kindly request a full response to the questions we raise above by **12 April 2024**.

Best wishes,

Clive Betts MP
Chair, Levelling Up, Housing and Communities Committee