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Ministry of Housing, Communities & Local Government

Sir Geoffrey Clifton-Brown MP,
Chair, Public Accounts Committee
House of Commons
London, SW1A 0AA

21 May 2026

Dear Sir Geoffrey,

**Treasury Minute – Sixty-ninth Report of Session 2024-26**

Thank you for your report on the Whole of Government Accounts 2023-24. I am providing more detail on our Treasury Minute response in relation to recommendations 2a and 3a.

In recommendation 2a, the Committee asked for a timetable of required actions for local authorities and their auditors, and how the department will ensure accountability for them. This information is provided at **Annex A**.

In recommendation 3a, the Committee asked for a document setting out the actions already taken, deliverables outstanding, further measures that the department intends to take to resolve the local audit crisis, why it is satisfied that these plans are effective, and the timetable achievable. This is provided at **Annex B**.

The department is committed to doing everything in its power to build back audit assurance at local bodies and to deliver its broader programme of reforms that will create a stronger, more resilient system for the future. The reforms are making good progress and the introduction of backstop dates has improved the timeliness of reporting. While progress on building back assurance has been slower than anticipated, it remains the department's ambition to fully rebuild assurance within the five-year build-back period in all but exceptional cases. The department is working closely with local bodies, audit firms and system partners to drive and monitor progress.

**Yours sincerely,**

# SARAH HEALEY

## ANNEX A

**Timetable of required actions for local authorities and their auditors and how the department will monitor and enforce accountability for these actions**

Both auditors and local authorities work within a framework of statutory deadlines and other statutory obligations. A local authority must:

- publish draft accounts by 30 June each year for the previous financial year
- provide a period of at least 30 working days, commencing by 1 July, for the public to exercise its rights to inspect and object to the accounts, and publicise this period (or reasons for any delay) on its website
- ensure that final accounts are approved by the relevant statutory officer and council members in line with statutory requirements
- publish its accountability statements (accounts, audit opinion, governance statement and narrative statement) by the relevant statutory deadline (backstop date), unless it is exempt under criteria specified in the Accounts and Audit Regulations 2015
- publish the reasons for the delay if exempt or otherwise unable to meet the backstop date.

In autumn 2024, the government set six statutory backstop dates to clear the local audit backlog. The backstop dates run until 2027/28 to allow assurance to be rebuilt over several audit cycles. Local bodies and auditors are expected to work together to build back audit assurance to return to unmodified (clean) audit opinions as early as possible in this period. Auditors are required to rebuild assurance in line with the Code of Audit Practice issued by the Comptroller and Auditor General and have regard to associated guidance. From 2023/24, auditors must also report annually on their assessment of value for money arrangements by 30 November each year.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes the Code of Practice on Local Government Accounting and associated guidance, which provides a detailed framework to guide the preparation of local authorities' accounts and other reporting.

The department will keep these arrangements under review as it undertakes further work to reform the local audit system (see **Annex B**). It will take appropriate action if this work indicates that additional direction, guidance or support is needed, or current arrangements need to be adjusted.

### Monitoring and enforcing accountability

*Local bodies*

The department monitors the timely publication of draft accounts and audit opinions by local bodies. The government publishes a list of non-exempt bodies that fail to publish their accountability statements by a backstop date. The department has engaged with bodies that do not comply with statutory requirements including those that failed to publish delay notices and write to the department. This includes detailed engagement with a small number of non-compliant bodies with more serious weaknesses to reiterate requirements at a backstop, understand reasons for missed deadlines and for them to set out a clear plan to meet future audit backstops.

Local bodies only receive grant funding (to support the cost of rebuilding assurance) when all audited accounts due by the previous backstop date have been published. The department has withheld grant from 14 bodies as of 17 April 2026.

For a small number of local bodies, the auditor has used statutory reporting and recommendation powers to highlight significant concerns on systems of financial control or financial reporting arrangements. In all such cases, the department considers statutory reports or recommendations alongside other information to consider whether action is necessary to secure improvement. The department supports auditors in the use of their statutory powers where appropriate to escalate significant or persistent weaknesses.

The English Devolution and Community Empowerment Act gives the Secretary of State a new power to require the Local Audit Office (LAO) to conduct a review of an individual local body's financial reporting and audit arrangements. The LAO will report the findings of reviews to the Secretary of State and to the local body, a summary will be published, and the government will use the findings to consider further action as appropriate.

*Auditors*

Quality oversight of the local audit system is conducted by the Recognised Supervisory Body (RSB) which holds a register of audit providers. The Institute for Chartered Accountants for England and Wales (ICAEW) acts as the RSB and is overseen in this role by the Financial Reporting Council (FRC). The ICAEW undertakes an annual quality assurance review of a sample of completed local audits, as well as a bespoke programme for audits that are subject to rebuilding of assurance.

The local audit register is an effective regulatory mechanism and will be maintained after LAO establishment. The register holding body will be overseen by the LAO which will take the final enforcement decisions in cases where quality or professional conduct infringements raise matters of public interest.

**ANNEX B**
**Actions taken and planned to address the local audit crisis**

In July 2024, the government announced six statutory backstop dates to clear the local audit backlog and allow the system to recover. In December 2024, it launched a strategy to overhaul local audit, and in April 2025, it announced further commitments to streamline and fix the fragmented system.

## Rebuilding audit assurance

Actions already taken to address the audit crisis are as follows:

- September 2024: secondary legislation laid to introduce backstop dates
- November 2024: revised Code of Audit Practice published by the National Audit Office (NAO) aligned to the legislation to set out requirements for audits subject to backstop-related disclaimers
- April 2025: the department announced grant funding for local bodies to help meet the additional costs to rebuild audit assurance
- June 2025: first grant payments made
- June 2025: NAO published revised guidance to support a targeted approach to rebuilding assurance
- August 2025: the government laid secondary legislation to raise the major local audit threshold from £500 million to £875 million
- September 2025: the government used secondary legislation to raise the smaller authorities upper audit threshold from £6.5 million to £15 million. Both changes took effect from financial year 2025-26 and will help to limit audit workload
- December 2025: ICAEW developed a bespoke approach to audit quality oversight for audits where assurance is being rebuilt.
- December 2025: Minister of State for Local Government and Homelessness Alison McGovern made a written ministerial statement to update on progress and wrote to all audit firms and to local bodies rebuilding assurance to underline the need for everyone to work together to accelerate progress and prioritise resources accordingly. Also set out data requests to enable the department to more fully understand progress.
- March 2026: the department funded CIPFA to run three training events on audit readiness for local authorities, with two further events in May due to demand
- March 2026: audit firms supplied auditors' annual reports and audit completion reports for 2024/25 for analysis
- April 2026: phases 1 and 2 of the ICAEW oversight programme concluded
- April 2026: the UK government and devolved governments wrote to CIPFA asking it to accelerate its review of the Code of Accounting Practice (accounting code) and deliver meaningful changes to the accounting and financial reporting frameworks

Planned action for 2026-27 includes:

- May 2026: Phase 3 of the ICAEW oversight programme with focus on reviews of individual audits
- May 2026: analysis of annual auditors' reports and audit completion reports completed
- July 2026: audit firms provide an assessment of each body's capacity to support the build-back process with revised estimates of costs and timescales
- Summer 2026: CIPFA issues invitation to comment on 2027-28 accounting code
- September 2026: department completes analysis of capacity assessments and considers whether further are needed to support progress; if required, work will begin immediately to plan and deliver the necessary activities
- December 2026: department completes a review of the funding model for the build-back grant
- December 2026: secondary legislation laid to implement decoupling of pension fund accounts from administering authority accounts, following consultation and joint working with stakeholders earlier in the year
- January 2027: fourth statutory backstop
- February 2027: publication of non-compliance list
- March 2027: the department completes work to implement decoupling of pension fund accounts with effect from 2026-27 financial year
- Spring 2027: CIPFA publishes accounting code for 2027-28.

Throughout the year, the department will:

- continue to work with CIPFA on its review of the accounting code, including reviews of the accounting treatment of pensions as well as changes to the format and content of accounts
- work with stakeholders to develop a central set of indices to revalue non-specialised operational property assets in local bodies' accounts, to reduce workload for local bodies and auditors
- develop options for bodies with systemic problems that mean they are unlikely to be able to rebuild assurance within the five-year build-back period.

In addition, the wider programme of local audit reforms continues following Royal Assent of the English Devolution and Community Empowerment Act. An extensive programme of work is set out in the transition plan, including to establish the Local Audit Office in autumn 2026.

**Deliverability**

The department has engaged extensively with system partners, audit firms and local bodies, and is confident that the measures set out are the right ones to deliver change. They have wide support across the system. Audit firms extended their current contracts for two years to cover audit years 2028-29 and 2029-30, demonstrating market confidence.

The introduction of the backstop dates has also improved the timeliness of audit opinion publication significantly, with 91% being published by the relevant backstop date for 2024-25, compared with 87% in 2023-24 and 84% for 2022-23. The timeliness of draft accounts has also improved, with only 2 bodies failing to publish 2024-25 draft accounts sufficiently in advance of the backstop, compared with 22 in 2023-24.

Once established, the LAO will have a clear remit to support delivery of wider reforms, with appropriate governance, reporting mechanisms and key performance indicators in place to ensure success. The LAO will also be required to publish an annual report on its performance and achievements.