Department for Levelling Up, Housing & Communities

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Dame Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
London
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Dear Dame Meg,

Further to the Public Accounts Committee's *Local Government Finance System: Overview and challenges* hearing of 29 November, I am writing this letter to clarify some points raised at the Committee on our proposals for independent audit committee members and the status of the Local Audit Technical Consultation which covered this issue.

Audit committees are a vital part of good governance, strong public financial management and effective internal audit and external audit. Sir Tony Redmond in his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority reporting* recommended that local authorities should review their governance arrangements, including 'the composition of their audit committees to include at least one independent member, suitably qualified'.

In the Department's consultation which closed on 22 September 2021, we proposed delivering on Sir Tony's recommendations through the development and production of new, strengthened CIPFA guidance for local authorities on how to manage their audit committee arrangements and asked for views on a range of governance topics, including specifically:

- A requirement for an effective committee structure, including how the independence and importance of the committee is maintained, and other matters such as size and term of membership;
- the role of independent members to bring additional knowledge and expertise and support to help them play an effective role, and;
- knowledge, expertise and training for committee members, including for both existing and independent members, to ensure they are able to fulfil their function.

We also sought views on whether **the Department should take further steps towards making the committee a statutory requirement**, or whether it was sufficient that the new value for money audit requirements would include an assessment of council governance, including whether audit committee arrangements are appropriate. We are currently considering the responses to these questions as we develop the Government response to the consultation.

In the meantime, I would like to assure you that the Department remains committed to supporting effective governance procedures in local audit, as part of our wider work programme in this area.

Yours sincerely,

CATHERINE FRANCES