



Department for Levelling Up,
Housing & Communities

Catherine Frances
Director General, Local Government,
Strategy & Analysis

**Department for Levelling Up, Housing
and Communities**

2 Marsham Street
London SW1P 4DF

To: all LA Section 151 Officers in England
Cc: all LA Chief Executives in England

26 November 2021

Dear colleagues

I am writing to you on behalf of the Department for Levelling Up, Housing and Communities (DLUHC) in its capacity as interim system leader for local audit, and in the light of recently released data showing that an unprecedented 91% of 20/21 local audits have missed the statutory deadline of 30 September.

As Section 151 officers, I know you will understand that timely completion of audits is vital in maintaining the transparency and assurance of local authority accounts. Late delivery of local assurance can have a significant impact on local authority financial planning and can also affect the timely completion of Whole Government Accounts. Late audit also fails to provide the taxpayer with the timely assurance that their local authority's financial accounts are true and fair and that the authority has been acting with propriety and has arrangements in place to secure value for money through the economic, efficient and effective use of its resources.

The causes of these delays are multifaceted, and a recovery will require every element of the system to play its part in improving the timeliness of audit. This leaves us with a collective question of how to respond.

If your authority is one of the 91%, I recognise the frustrations this must present to you as well as the pressure on staff involved in supporting an extended audit process.

The government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. We laid new regulations on 21 October to provide greater flexibility to the appointing person through, for example, extending the deadline for setting fee scales so that they can reflect the most recent market conditions, and streamlining the fee variation process under certain circumstances. We are also providing £15m additional funding to local bodies to support with the implementation of recommendations following the Redmond Review

and new audit costs resulting from new requirements, including the new Value for Money reporting. We are considering funding arrangements for future years.

The solution will of course require joint work with the audit companies. We are meeting with the firms to remind them of their responsibilities and explore with them what further steps can be taken to get audits back on track.

At the same time, I would ask you to do everything you can to clear the backlog of delayed audits, while acknowledging the exceptional work pressures that you have faced recently. The National Audit Office's 2020 report *Timeliness of local auditor reporting on local government in England* found that, in some cases, 'competing workload pressures, both within the finance function and elsewhere in the local bodies, diverted staff resources from completing working papers and preparing accounts' and that 'the quality of the processes and control environment within the finance functions of local bodies also affected their preparedness for audit'. The report highlighted other factors, including availability and capacity of finance staff.

I am aware that, according to figures from the LGA, approximately 85% of councils produced a draft set of accounts in accordance with this year's deadline. I would urge all councils to ensure you meet this deadline going forward. It is vital that local authorities continue to fulfil your responsibilities, including ensuring that draft accounts are of sufficient quality when they are initially sent to auditors, in addition to responding promptly to queries from auditors and, if necessary, putting sufficient measures in place to prevent further delays to account preparation. In some cases, accounts have not been agreed for multiple years, and this needs to be addressed appropriately and urgently.

I would also stress the role of your audit committees, both in reviewing financial statements, supporting effective relationships with external audit, and the active promotion of the audit process. DLUHC recently consulted on proposals to strengthen audit committees, including the appointment of independent members, and we are working with the LGA and CIPFA to consider if further support would help. However, in the interim, I would encourage you to revisit the CIPFA position statement and guidance on audit committees: <https://www.cipfa.org/services/support-for-audit-committees>.

I would also recommend local authorities consider CIPFA's guidance on streamlining the accounts, which provides practical suggestions on how the annual statement of accounts can strike a better balance between compliance with standards and providing clearer, simpler and more transparent information: <https://www.cipfa.org/policy-and-guidance/publications/s/streamlining-the-accounts>.

I would ask that where you do not have audited accounts, you use the best available estimates in setting your budget for 2022/23.

We recognise that this is a problem that requires a system-wide response, and we are reminding all partners of their responsibilities, so that we can help to get the system back on track together. We will be setting out further details of our plans for this in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Frances', with a long horizontal flourish extending to the right.

CATHERINE FRANCES