



7 February 2022

Kemi Badenoch MP
Minister for Levelling Up Communities
Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF

Dear Minister

LOCAL AUDIT FRAMEWORK: TECHNICAL CONSULTATION

With Public Sector Audit Appointments (PSAA) today formally launching the procurement process for the 2023/24 – 2027/28 period, I am writing to highlight our concern that the absence of the Department for Levelling Up, Housing and Communities' *Local audit framework: technical consultation* feedback response is creating uncertainty during this procurement round, potentially undermining efforts to improve capacity and resilience in the local audit market.

It is welcome that, prior to Christmas, the Department announced a series of measures to improve local audit delays and that these measures are consistent with the 'whole system approach' that I called for on behalf of ICAEW in my follow-up letter to the round table you hosted in November 2021.

In that letter, I stated that, in order to increase the attractiveness of the local audit market, the Department should set out a long-term vision for local audit and financial reporting. However, some of the temporary measures announced by the Department, such as the delays to the implementation of the standardised statement of service information recommended by Sir Tony Redmond or the request for CIPFA / LASAAC to consider time-limited changes to the accounting framework, suggests that the Department is not taking the long-term approach that ICAEW believes is required to address the issues in the sector.

Furthermore, for those firms intending to take part in the procurement process, or considering entering the market for the first time, there are still concerns about the lack of clarity over the Department's plans for the local audit framework over the 2023/24 - 2027/28 period. This includes, for example, whether the system leader will maintain the technical networks currently operated by the National Audit Office or whether the Government intends to push ahead with the proposal for auditors to present an annual report to Full Council.

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It is not just the absence of a response to the *Local audit framework: technical consultation* contributing to the uncertainty for firms. The Department for Business, Energy and Industrial Strategy is consulting on wider reforms to audit, including the establishment of the Audit, Reporting and Governance Authority and the expansion of the definition of Public Interest Entity. Audit firms need to know whether this will result in an increase in the number of local authorities brought into scope because they need to assess their capacity to meet the additional requirements before submitting their bids.

I hope that the Government will be able to publish their feedback statement on the *Local audit framework: technical consultation* – as well as around the definition of Public Interest Entity – at the earliest opportunity to give firms greater confidence about taking part in this procurement process, as well as the practical information they need to submit bids.

I would also be keen to have the opportunity to meet with you to explore how ICAEW can more widely support the Government's work to improve capacity and resilience in this sector.

I have copied this letter to the Chair of the Public Accounts Committee for her information.

Yours sincerely



Alison Ring
Director, Public Sector and Taxation

CC Dame Meg Hillier MP, Chair, Public Accounts Committee