



Ministry of Housing,
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Dear Sir/Madam

REDMOND REVIEW INTO LOCAL AUDIT - SPRING UPDATE REPORT

I am writing to inform you that the Department has today published the update report that was promised in the Government's December response to Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. A copy of the report is available on Gov.uk at the following link.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update>

The report provides an update on progress implementing the Government's response to the Redmond Review, including on the delivery of measures to support immediate market stability and towards implementation of Sir Tony's other recommendations. You may wish to note that, in particular, this report sets out the Government's views on systems leadership for local audit.

The Government agrees that a clearly accountable system leader with overarching responsibility is needed to make sure the local audit framework operates in a coherent and joined up manner, however we do not believe the a new arm's length body is needed to achieve this. The update report published today sets out the Government's view that the new Audit, Reporting and Governance Authority (ARGA), being established to replace the Financial Reporting Council (FRC), as part of BEIS's broader corporate audit reforms, would be best placed to take on this role.

The FRC already undertakes the core functions relating to the audit quality framework necessary for a single responsible body to have. Establishing ARGA as system leader for the local audit framework will also ensure alignment with, and harness the positive impact of, the broader audit reforms in train.

To ensure the new regulator acquires the necessary focus and expertise on local audit, a standalone unit will be established within ARGA. The Code of Audit Practice will transfer from the National Audit Office to ARGA, however the latest Code, which includes the new Value for Money commentary, will be retained. ARGA will not conduct procurement or contract management as this could create a conflict of interest. Therefore, the new arrangements will encompass a separate appointing body, in which role PSAA will be reconfirmed, with commercial support from MHCLG for the next procurement.

As the proposed reforms to the local audit framework will take time, MHCLG will take an increased leadership role in the interim, including setting up and chairing the Liaison Committee of key stakeholders which Sir Tony Redmond recommended be created. If you have any queries about the report please email localaudit@communities.gov.uk.

The Government intends to launch a public consultation on the proposals ahead of summer recess. The public consultation on the Appointing Person remains open until 1 June; the consultation on the distribution of the £15m additional funds to assist councils in this financial year closed on 18 May
Yours faithfully,

Max Soule, Deputy Director Local Government Stewardship