

REPORT REFERENCE NO.	AGC/25/6
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	20 JANUARY 2025
SUBJECT OF REPORT	GOVERNMENT CONSULTATION ON LOCAL AUDIT REFORM: A STRATEGY FOR OVERHAULING THE LOCAL AUDIT SYSTEM IN ENGLAND
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That, following consultation with the Chair, the Treasurer be delegated authority to submit a response to this consultation on behalf of the Committee by the deadline of 29 January 2025.</i>
EXECUTIVE SUMMARY	<p>This consultation surrounds the government’s commitment to a series of measures to fix the broken local audit system, including:</p> <ul style="list-style-type: none"> • a local audit vision with 8 core principles; • the establishment of a statutory and independent Local Audit Office (LAO), with 5 strategic responsibilities - coordinating the system, contract management, ownership of the Code of Audit Practice, quality oversight and reporting; and • mandating audit committees <p>The government is also consulting on a number of specific proposals as part of this strategy, including:</p> <ul style="list-style-type: none"> • potential additional functions of the new LAO; • simplifying financial reporting requirements to ensure they are proportionate; • improvements to enhance capacity and capability in the local audit sector, such as the introduction of public provision; • strengthening the relationship between local bodies and their auditor; and • reforming the audit regime <p>The consultation was issued on 18 December 2024 and lasts for 6 weeks until 29 January 2025.</p>
RESOURCE IMPLICATIONS	Nil.

EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	None.
BACKGROUND PAPERS	Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK

1. **INTRODUCTION**

- 1.1. The government issued this consultation document on 18 December 2024 for 6 weeks with responses due by 29 January 2025.
- 1.2. The government has stated in this consultation that the challenges faced by all local authorities are insurmountable without fundamental reform to drive transparency and open the books. In 2018, the independent [Kingman Review](#) recommended that regulation and oversight of local audit should be undertaken by a dedicated, separate body with “a deeper expertise in the local audit world”. Two years later, the [Redmond Review](#) agreed that the system would not be successful with the current structure. He recommended a new body to:

“manage, oversee and regulate local audit with the following key responsibilities: procurement of local audit contracts; producing annual reports summarising the state of local audit; management of local audit contracts; monitoring and review of local audit performance; determining the code of local audit practice; and regulating the local audit sector”.
- 1.3. This is why the government is proposed to streamline the fragmented system into one body, the Local Audit Office (LAO). The Office will have a focussed and clear remit to lead the required reform and to ensure that local audit, not just for local authorities but the wider system including the NHS, will provide value for money for the taxpayers now and in the future.
- 1.4. The strategy proposed builds on previous reviews and stakeholders’ views to instigate a streamlined system of local audit with:
 - A remit for a new Local Audit Office (LAO);
 - The purpose of local audit and its users;
 - Simplified and proportionate financial reporting;
 - Improvements to enhance capacity and capability;
 - Stronger relationships, in particular between local bodies and their auditors, and a reformed audit regime; and
 - Support for the local audit backlog.
- 1.5. A Fire and Rescue Authority is included within the scope of this framework as a local authority subject to the requirement to publish audits.
- 1.6. The consultation document sets out a number of questions on which responses are invited. The document can be found at: [Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK](#).
- 1.7. Given the relatively short time remaining for responses to be submitted to the consultation document, the Committee is asked to consider this and to submit views to the Treasurer for incorporation into a formal response.

- 1.8. The Committee is also asked that, following consultation with the Chair, the Treasurer be delegated authority to submit a response to this consultation on behalf of the Committee by the deadline of 29 January 2025.

ANDREW FURBEAR
Treasurer