**Alison McGovern**
***Minister of State for Local Government and Homelessness***

Ministry of Housing, Communities & Local Government

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To local audit firm partners

27 November 2025

Dear ,

**REBUILDING OF AUDIT ASSURANCE**

As you know, the Government has committed to overhauling the local audit system as the bedrock of local accountability and transparency. This is vital to ensuring that taxpayers receive better value for money and to support a more stable and effective local government sector. I am writing to you today to request that you provide information to my Department regarding individual local bodies' capacity to support the process of rebuilding audit assurance.

**Build-back and disclaimed opinions**

I want to thank you and your colleagues for your continued support in achieving our goal of rebuilding assurance at most local bodies within the five-year build-back period. We know that this is challenging, and we recognise all the efforts that you have made so far. I am also buoyed by the continued commitment shown by all audit firms' currently operating in the local audit market extending their contracts.

While the commitment to meeting the overall five-year timeline remains unchanged, it is clear that there has been a significant change between last year and this year based on the cost estimate work that you and other firms provided to Public Sector Audit Appointments Ltd. I fully appreciate that these estimates were just that – yet the most recent estimates show that much less build-back work has been undertaken than originally hoped for, and that recovery is therefore much slower than the Government's aspiration. These new estimates mean that that the aspiration to clear most backstoprelated disclaimed opinions within the first two years (i.e. to limit them to 2023/24 and 2024/25) is not achievable. Furthermore, estimated risk ratings show that a higher-than-expected proportion of local bodies are in the highest-risk category for which recovery is not likely to be feasible under current auditing standards.

**Developing an enhanced understanding**

I am today writing to all firms to request that they increase resources in these early years of build-back to undertake as much work as possible at those bodies that are capable of providing the audit evidence required.

In addition, so that the Government can understand which further measures may be necessary to support both you and local bodies in accelerating progress, my Department needs to understand why your firm's estimated workload is lower than previous estimates, and what additional support or change is needed.

I am therefore requesting that you provide information to the Department on individual bodies as follows:

- We would like you to send us copies of the final Auditor's Annual Report and Audit Findings (ISA 260) Report for each of your clients subject to the build-back process. We would like to receive all those issued to local bodies for the 2024/25 audit no later than 31 March 2026.
- Subsequently, I would like you to provide a brief assessment of each body's capacity to support the build-back audit process with my Department once you have undertaken sufficient risk assessment and audit planning for 2025/26. I am requesting these assessments by 31 July 2026 alongside revised estimates on costs and timescales to support the Department's financial planning.

Please obtain bodies' express permission directly for sharing this information with the Department, and discuss the assessments with the local body before sending them. The Government is writing to all local bodies subject to build-back to ask them to give you permission for these assessments to be shared with us. Under paragraph 3(2) of Schedule 11 to the 2014 Act, a local auditor may disclose information relating to a body, without the consent of that body, provided that such disclosure would not prejudice the effective performance of the auditor's functions. We also understand that Auditor's Annual Report and Audit Findings (International Standard on Auditing 260) Report documents are typically published in any case. Nonetheless, we are seeking to provide additional assurance by asking that you obtain the consent of all relevant bodies. We will explore opportunities to balance the Department's ongoing need for information on build-back at individual authorities with keeping the burden on firms and authorities to the minimum.

Given the latest estimates and the need to be transparent about progress, I will be laying a Written Ministerial Statement to provide an update on progress, set out this correspondence, and reaffirm the Government's commitment to the improvement of the audit system.

**Working together for continued progress**

We recognise the importance of your professional judgment in determining when the use of statutory powers is appropriate, and we encourage continued vigilance in identifying and addressing significant issues, such as in issuing Public Interest Reports and Section 24 recommendations, where appropriate. Please continue to forward all statutory reports, as well as any more general updates, to the MHCLG local audit mailbox at localaudit@communities.gov.uk. This process will ensure that these matters are escalated promptly to the appropriate team in my Department for action.

At the same time, my Department will continue to take prompt action to support audit firms and local bodies alike to achieve our shared aims. In conjunction with partners, we are considering wider changes to the application of auditing standards to ensure that local audit is proportionate to risk and the value it provides to users of accounts, especially in relation to valuations with major estimation uncertainty. More broadly, we are continuing work to deliver our wider package of reform, primarily through the English Devolution and Community Empowerment Bill, which contains key elements of these measures – mostly notably the creation of the Local Audit Office. Simplification of financial reporting also remains a key objective, and we are working closely with partners – including the Devolved Governments – to achieve this goal.

To support local bodies to cover the net additional cost of the backstop programme, the Government paid grants to over 200 local bodies in June this year. The Department does not expect to make any further payments in 2025/26 given the slower-than-anticipated progress of the build-back programme to date. Future payments will depend on the overall progress of the programme. Revised cost estimates and timescales will be used in summer and autumn 2026 to review the funding distribution model to ensure that it remains fair and appropriate based on the position at that time.

The Department is also looking to hold a webinar with affected local bodies on 15 December ahead of specific training and support events in March next year led by the Chartered Institute of Public Finance and Accountancy. To support and provide assurance for the build-back process, the Institute of Chartered Accountants in England and Wales is currently designing a bespoke quality review programme, which it will undertake initially as the Recognised Supervisory Body for local audit under the current regulatory framework.

The more successful the build-back process, the more stable a foundation the wider programme of reforms will have. Our shared endeavours will ensure that we all benefit from an improved local audit sector – and I would like to thank you for your ongoing support to achieving this goal.

**Yours sincerely**

**Alison McGovern MP**
**Minister of State for Local Government and Homelessness**