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To Chief Executives, Chief Financial Officers and Local Authority Leaders

27 November 2025

Dear Colleagues,

REBUILDING OF AUDIT ASSURANCE

I am writing regarding the process of rebuilding audit assurance at your authority, and specifically to request that you provide permission to your auditor to share information with my Department regarding your capacity to support this process.

Build-back and disclaimed opinions

To tackle the local audit backlog that it inherited, the Government launched a five-year build-back programme supported by statutory deadlines covering financial years up to and including 2027/28. Thanks to the combined efforts of local bodies and auditors, over 90% of audit opinions for financial years up to and including 2023/24 have been published. This is a significant step forward in restoring transparency and assurance.

Although almost half of all local bodies now have unmodified, up-to-date audit opinions, the build-back programme has – as expected – given rise to a large number of disclaimed audit opinions. I would like to take this opportunity to thank you for your continued engagement and contribution to the difficult process of rebuilding assurance, and we recognise that many of the disclaimed opinions reflect historic challenges and systemic issues. But there is still further work to be done – and a need to go faster.

Auditors will need to build back assurance on these bodies' accounts over successive audit periods, with the aim of completing this process by 2027/28. The Government's aspiration remains to recover local audit as early as possible within this period, though it is now clear based on projections from audit firms that this will be slower than previously hoped.

Auditors have highlighted range of factors, including the need for additional work at some local bodies where significant errors were identified and where there were difficulties obtaining audit evidence, as well as broader systemic challenges such as the availability of audit resources and the complexity of historic audit backlogs. Both auditors and local bodies are navigating a complex and evolving environment, and we remain committed to working collaboratively across the system to support continued progress. The Government is considering what further measures may be necessary to support both auditors and local authorities in accelerating progress, with the aim of clearing all backstop-related disclaimers by the end of 2027/28 (for which the backstop is 30 November 2028).

Developing an enhanced understanding

To support a better understanding of system-wide challenges and to inform more targeted support, we are seeking your agreement that your auditor can share information with my Department regarding progress on building back assurance on your accounts, including your capacity to support the audit process, as follows:

- We are asking to receive copies of the final Auditor’s Annual Report (AAR) and Audit Findings Report (also known as an International Standard on Auditing 260 Report) around the time that they are issued to you, and no later than 31 March 2026.
- Subsequently, by the end of July 2026, we will ask auditors to share with us an assessment of progress, including your capacity as part of their audit planning for 2025/26 audits, alongside revised estimates that they will prepare on costs and timescales for the build-back process.

We have asked audit firms to contact you to ask for your permission directly. Under paragraph 3(2) of Schedule 11 to the 2014 Act, a local auditor may disclose information relating to an authority, without the consent of that authority, provided that such disclosure would not prejudice the effective performance of the auditor’s functions. Nonetheless we are seeking to provide additional assurance by obtaining the consent of all relevant authorities.

Auditors will discuss this assessment with you before it is shared with the Department. This principle will apply to any further information about specific authorities that we ask auditors to provide.

If you choose not to give permission, officials in my Department will follow up with you to discuss any concerns that you may have, your readiness for build-back and how we can best support you in this process. 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.

Working together for continued progress

Your cooperation will be key to support timely publication of audit opinions, and maintain transparency. It is crucial that local authorities adequately resource their finance functions to provide the evidence required to support the process. We recognise the significant pressures many authorities are facing, and we are grateful for your continued efforts to prioritise this work in a challenging environment.

I ask that you review plans and engage with your auditors to ensure alignment with any revised expectations and timelines set out in their most recent audit plans. In parallel, I am writing to audit firms to reinforce the importance of continued resourcing and transparent reporting, including through their published annual audit reports, to support collective progress across the sector.

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 looking to hold a webinar with your organisation as well as other 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. My officials will be in contact with further details in due course. I trust this will assist in ensuring a coordinated and well-supported approach.

To provide transparency and reaffirm the Government's commitment to supporting local bodies and auditors, I will be laying a Written Ministerial Statement to provide an update on progress, highlight this correspondence, and reaffirm the Government's commitment to the improvement of the audit system.

We are continuing to progress vital reforms to overhaul the system, as set out in our strategy and consultation in December 2024. Key elements of these measures, including the establishment of the new Local Audit Office, are included in the English Devolution and Community Empowerment Bill.

Thank you again for your continued partnership in this important work. Together, we can ensure a more resilient and transparent local audit system for the future.

Yours sincerely

Alison McGovern MP
Minister of State for Local Government and Homelessness