

Greater transparency and value for money for council finance system

- Consultation response published on plans to strengthen local audit framework in response to Redmond Review.
- New regulator, ARGA, will act as system leader for local audit, with shadow arrangements to start at the Financial Reporting Council in September.
- Proposals also include plans to make audit committees compulsory for all local councils, with an independent member required.
- Plans will support councils to level up communities across England.

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government today (31 May 2022).

The [government consultation response](#) confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

Local Government Minister Kemi Badenoch MP said:

Over the last two years, councils have acted as a lifeline, providing vital support to businesses and communities.

A robust system of local audit is key to maintaining public confidence in local government through assuring transparency and accountability.

Today's publication sees us take the first steps towards a more coordinated local audit system, as we get on with the job of spreading opportunity and prosperity to all parts of the country.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the [Liaison Committee](#) of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of [measures to improve local audit delays](#) in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at

least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its [wider plans](#) to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

- Sir Tony Redmond was commissioned by this department in July 2019 to undertake an independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit.
- This was in response to the mounting delays in the local audit system.
- Local Authority financial Reporting and financial auditing made recommendations relating to the quality, transparency, timeliness and sustainability of local audit. A key recommendation was for clear system leadership to be established across the local audit system.
- The Department's initial response to the Redmond Review was published in December 2020.
- Our spring report published in May 2021 set out our plan to establish ARGA as system leader for local audit.
- In July 2021 we published [Local audit framework: a technical consultation](#), to which the government response is published today.
- In July 2021 the department established the Liaison Committee of key stakeholders and started acting as interim system leader.
- In December 2021 we set out a series of measures to support the improved timeliness of local audit and address the delays experienced by many organisations across the sector.
- ARGA's system leader work will be funded directly by government and DLUHC will retain Accounting Office responsibility for local audit.
- ARGA will also act as system leader for health audit.

About Neil Harris:

Neil has over 20 years' experience in local public audit. He is currently a Key Audit Partner for EY with responsibility for a range of local public sector audits across local government, central government, police and the fire sector. Neil contributed to EY's response to a range of consultations on the future of financial reporting and external audit in the public sector. Prior to joining EY, Neil was a District Auditor for the Audit Commission where he spent 14 years. Neil is passionate about securing a sustainable future for high quality financial reporting, governance and audit in the public sector.