



Ministry of Housing,  
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Local Government

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By Email

20 April 2021

Dear Sir/Madam

### **CONSULTATIONS ON AMENDMENTS TO LOCAL AUDIT FEE SETTING ARRANGEMENTS AND ON FEES METHODOLOGY**

I am writing to inform you about the above consultation exercise which runs from **20 April** to **1 June** proposing changes to the fee setting and fee variation arrangements set out in the [Local Audit \(Appointing Person\) Regulations 2015](#) to provide additional flexibility to the appointing person for principal bodies (Public Sector Audit Appointments Ltd) to reflect the changing nature of the local audit market. The arrangements for smaller bodies are covered in separate regulations and are not affected by these proposals.

I would also like to draw your attention to the separate consultation, also starting on **20 April** and running to **18 May**, seeking views on the most appropriate methodology for allocating the £15 million announced at Spending Review 2020. This funding is to support affected local bodies to meet the rise in audit fees and new burdens resulting from the implementation of additional requirements.

Sir Tony Redmond, in his [Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting](#) recommended that the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements. The Government committed in its [response](#) of 17 December to take swift action to support market stability, and in particular to take action to improve the processes that audit firms need to follow when the cost of their work is greater than that allowed under their contracted fees and also to take steps to clarify what additional work fee variations are being claimed for.

I would be grateful if you could bring these consultation documents to the attention of your chief finance officers and audit committees for their considerations. All responses should be submitted via the following Citizen space links: [Appointing Person](#), [Fees Methodology](#). However if you have any queries about either consultation exercise please submit them to the following email address: [localaudit@communities.gov.uk](mailto:localaudit@communities.gov.uk).

Yours sincerely,

Max Soule  
Deputy Director  
Local Government Stewardship