

Item No. 6.	Classification: Open	Date: 18 November 2020	Meeting Name: Audit, governance and standards committee
Report title:		Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATIONS

1. That the audit, governance and standards committee note this report.

BACKGROUND INFORMATION

2. In June 2019 an independent review was commissioned by the Ministry of Housing, Communities and Local Government (MHCLG) of the arrangements in place to support the transparency and quality of financial reporting in local authorities and the effectiveness of external audit, including those introduced by the Local Audit and Accountability Act 2014.
3. The review was led by Sir Tony Redmond and a report (attached at appendix 1) setting out his findings and conclusions was published in September 2020.

KEY ISSUES FOR CONSIDERATION

4. The review called for views and evidence from anyone with a direct or indirect interest in local authority audit and financial reporting and focused not only on what users of the accounts expect from the local authority accounts production and audit process but also on the detailed statutory and professional frameworks underpinning the audit and financial reporting structure. It engaged with a wide range of stakeholders groups, including those representing the interests of local authorities, the accountancy profession and local residents and taxpayers. As part of this, the Director of Law and Democracy and the Strategic Director of Finance and Governance, in their capacity as monitoring officer and section 151 officer respectively, contributed to the review via their professional networks.
5. The review concluded that the current local (external) audit arrangements do not fully deliver the objectives underpinning the 2014 Act and are not wholly effective at providing a robust, relevant and timely service, at demonstrating the right balance between price and quality, and at being transparent to public scrutiny.

6. To address these points, the report makes a number of recommendations in the following areas: external audit regulation, smaller authorities audit regulation, financial resilience of local authorities and transparency of financial reporting.
7. A summary of key recommendations (with the exception of those relating to smaller authorities) is set out below:

External audit regulation

- A new regulatory body, the 'Office of Local Audit and Regulation' (OLAR) should be created to manage, oversee and regulate local (external) audit. This body would be responsible for local audit, including the procurement and management of local audit contracts, and monitoring and reviewing local audit performance. This would entail the transfer of those roles currently undertaken by Public Sector Audit Appointments (PSAA) and other bodies to OLAR. However, the review noted that it does not amount to the reestablishment of the Audit Commission which was abolished in 2015.
- Governance arrangements within local authorities should be reviewed by them, with the purpose of:
 - An annual report being submitted to council assembly by the external auditor
 - Consideration being given to the appointment of at least one independent member, with relevant technical experience, to the audit, governance and standards committee
 - Formalising the facility for the chief executive, the monitoring officer and the chief financial officer to meet the key audit partner at least annually.
- The current fee structure for local audit should be revised to ensure sufficient resources to meet local audit requirements.
- Consideration should be given to extending the deadline for publishing audited local authority accounts from 31 July to 30 September, with the external auditor being required to present an Annual Audit Report to the first council assembly meeting after 30 September, irrespective of whether or not the accounts have been certified.

Financial resilience of local authorities

- The MHCLG should review its current framework for seeking assurance that financial sustainability in local authorities is maintained.
- Key concerns relating to service/financial viability should be shared between local auditors and relevant inspection bodies (e.g. Ofsted) prior to completion of the external auditor's annual report.

Transparency of financial reporting

- A standardised statement of service information and costs should be prepared by each local authority and presented with the statutory accounts. This would compare them with the approved budget and would be aimed at taxpayers and service users.
 - In light of the new requirement to prepare a standardised statement, there should be a review of the statutory accounts to determine whether there is scope to simplify their presentation by removing unnecessary disclosures.
8. MHCLG has confirmed that it will consider the report's recommendations, but it should be noted that although some of the recommendations can be progressed relatively quickly, others will require legislation if they are to be implemented fully.

Policy implications

9. There are no policy implications in the proposals in this report.

Community impact statement

10. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

Resource implications

11. There are no direct resource implications in this report.

Legal implications

12. There are no specific legal implications arising from this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
1	Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond review): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy	
Report Author	Jo Anson, Interim Head of Governance	
Version	Final	
Dated	5 November 2020	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		5 November 2020