

Report Title:	Redmond Review – Further Briefing Note
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance and Ascot
Meeting and Date:	Audit and Governance Committee – 22 September 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources
Wards affected:	None

REPORT SUMMARY

The Independent review into the oversight of local audit and the transparency of local authority financial reporting (the “Redmond Review”) was published on 8th September 2020. The (then) MHCLG response was published on 17th December, accepting most of the recommendations. DLUHC has now published its latest proposals.

This report summarises the key proposals

- A new system leader for the local audit framework
- Proposals to strengthen audit committee arrangements within councils
- Measures to address ongoing capacity issues on the pipeline of local auditors

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Audit and Governance Committee notes the report.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Options

Table 1: Options arising from this report

Option	Comments
That the Committee notes the report This is the recommended option	Review, Government response and proposals have been published

3. KEY IMPLICATIONS

3.1 MHCLG published the Independent review into the oversight of local audit and the transparency of local authority financial reporting (the “Redmond Review”) on 8th September 2020.

3.2 The review highlighted three key problems:

- **Current local audit arrangements do not meet the policy objectives underpinning the Local Audit and Accountability Act 2014.** In particular, Sir Tony identified weaknesses in the functioning and value of local audit, the timeliness of its findings and how these are considered and managed by local authorities;
- **Market fragility.** Sir Tony highlighted how local audit is an unattractive market for audit firms and individual auditors to operate within. He indicated that “without prompt action... there is a significant risk that the firms currently holding local audit contracts will withdraw from the market” (‘Redmond Review’ (2020), p.1);
- **Absence of system leadership.** The introduction of the localised audit framework in the 2014 Act spread roles and responsibilities for local audit across multiple organisations. Sir Tony argued this has contributed to a lack of coherency and makes resolving the weaknesses in the system challenging.

3.3 Redmond also recommended extending the deadline for publishing audited accounts from 31 July to 30 September each year.

3.4 MHCLG responded to the review on 17th December.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

3.5 To address these concerns MHCLG took these actions:

- Providing relevant local authorities with £15m in additional funding in 2021/22 to meet the anticipated rise in audit fees driven by new requirements on auditors, including the 2020 Code of Audit Practice, as well as enabling local authorities to develop standardised statements of service information and costs.
- Committing to work with all the key stakeholders to achieve practical outcomes to the recommendations.
- Reviewing and reforming regulations to provide the auditor appointing body with greater flexibility to ensure the costs to audit firms of additional work are met.

- Extending the deadline for publishing audited local authority accounts from 31 July to 30 September for the next two years - covering the audit of the 2020/21 and 2021/22 accounting periods. It will then be reviewed.
- Reviewing entry requirements for Key Audit Partners within the scope of the existing regulatory framework, balancing quality and market sustainability.
- Working on the development of an appropriate framework for the corporate auditing profession, ensuring that local audit practitioners have a voice in its development.
- Engaging local government to better understand council finance team resources and consider how they might be strengthened.
 - Exploring other options for delivering system leadership, delaying the incorporation of a new regulator (OLAR) whilst the other actions are taken to see if they bring about change without the need for structural reform in regulation.

3.6 DLUHC is now consulting on implementation proposals:

[Local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

3.7 These proposals include:

- Confirming that the Audit Reporting and Governance Authority (ARGA) will be the local audit system leader. Its responsibilities will include regulation of local audit, monitoring and review of local audit performance, the Code of Local Audit Practice, and reporting on the state of local audit.
- ARGA will take over the responsibility (from the National Audit Office) for value for money arrangements in local audit
- ARGA will produce an annual report to Parliament on the state of local audit
- Councils are encouraged to continue opting-in to the PSAA arrangements for procuring auditors
- DLUHC is considering making Audit committees a statutory requirement for every council
- Audit Committees should include at least one independent member (i.e. non-councillor)
- The external auditors annual report, and the Audit Committee's response to this, should be reported to Full Council

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 There are likely to be significant increases in external audit contract fees in future years.

5. LEGAL IMPLICATIONS

- 5.1 There are no implications.

6. RISK MANAGEMENT

- 6.1 There are no implications.

7. POTENTIAL IMPACTS

- 7.1 Equalities. No implications.
- 7.2 Climate change/sustainability. No implications.
- 7.3 Data Protection/GDPR. No implications

8. CONSULTATION

- 8.1 Not applicable at this time.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Not clear at this time. Further updates will be reported to the committee as MHCLG proposes changes to the audit and accounting regimes.

10. APPENDICES

- 10.1 This report is supported by one appendix:
- Appendix 1 – Independent review into the oversight of local audit and the transparency of local authority financial reporting (the “Redmond Review”)

11. BACKGROUND DOCUMENTS

- MHCLG response to Redmond Review:
<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
For information	No	No

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