

## **Audit & Governance Committee**

**28<sup>th</sup> September 2020**

Report of the Monitoring Officer and s151 Officer

### **Results of Independent Review into Quality of Council Audits Published: Independent Review by Sir Tony Redmond of local audit and the transparency of local authority financial reporting.**

#### **Summary**

On 8<sup>th</sup> September 2020, the Government published the results of an independent review into the effectiveness of local authority financial reporting and audit regimes in England. The review was led by Sir Tony Redmond.

The Chair of the Committee had accepted this item as under 'Urgent Business' as the Sir Tony Redmond Report had very recently been published and may directly affect the Committee and the Council in respect of the auditing of the Council's accounts. It was considered that Members needed to be fully appraised of this at the earliest opportunity.

#### **Background**

In July 2019, Sir Tony Redmond commenced a review to examine whether the reporting regimes in local authority audits are robust enough to spot early warning signs such as risks from commercial investments, to protect public funds and better serve taxpayers. Sir Tony Redmond has made a number of recommendations including:

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
  - Procurement of local audit contracts;

- producing annual reports summarising the state of local audit;
  - Management of local audit contracts;
  - Monitoring and review of local audit performance;
  - Determining the code of local audit practice; and
  - Regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
- Public Sector Audit Appointments (PSAA);
  - Institute of Chartered Accountants in England and Wales (ICAEW);
  - FRC/ARGA; and
  - The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.

3. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
- An annual report being submitted to Full Council by the external auditor;
  - Consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - Formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
4. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
5. 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.
6. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or

persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.

7. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
8. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
9. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
10. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
11. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
12. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Sir Tony Redmond's report can be found here

[www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review](http://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review)

## **Implications**

### **Financial**

Not applicable to this report.

### **Human Resources (HR)**

Not applicable to this report.

### **Equalities**

Not applicable to this report.

## Legal

The responsibility for local authority audits and how they are conducted is prescribed by the Local Audit and Accountability Act 2014.

## Crime and Disorder, Information Technology and Property

The Council will utilise recognised ICT platforms for the delivery of remote meetings and live stream meetings via the existing YouTube channel.

## Recommendations

- To note the results of Sir Tony Redmond's of local audit and the transparency of local authority financial reporting; and
- To note that further information will be provided to the Committee and as when it becomes available.

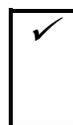
## Author & Chief Officer responsible for the report:

Janie Berry

Director of Governance &  
Monitoring Officer

01904 555385

Report  
Approved



Date 23/092020

## Specialist Implications Officer(s):

Wards Affected:

All X

For further information please contact the author of the report