

Agenda Item No:

Report No:

Report To: **Audit and Governance Committee**

Date: **28 July 2021**

Report Title: **Redmond Review update and MHCLG External Audit Consultations**

Report of: **Chief Finance Officer**

Ward(s): **All**

Purpose of report: **To ensure the Committee are kept up to date on the progress in delivering the recommendations of the Redmond Review and ongoing external audit consultations.**

Decision type **Budget and Policy Framework**

Officer

Recommendations: **The Committee is recommended to note this report.**

Reasons for recommendations: **To provide an update on the Government's recent response to the Sir Tony Redmond's independent review.**

Contact Officer(s)- **Name: Ola Owolabi**
Post title: Deputy Chief Finance Officer
E-mail: ola.owolabi@lewes-eastbourne.gov.uk
Telephone number: 01323 485083

1 Introduction

- 1.1 Sir Tony Redmond was requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of financial reporting regime. The review outcomes and recommendations were presented to the Secretary of State for Housing, Communities and Local Government in September 2020.
- 1.2 In total, 23 recommendations were made covering the following topics:
 - External Audit Regulation.
 - Smaller Authorities Audit Regulation.
 - Financial Resilience of local authorities.
 - Transparency of Financial Reporting.
- 1.3 In October 2020, the Audit and Governance Committee received a presentation on the Redmond independent review into the effectiveness of external audits and transparency of financial reporting in local authorities and that further information would be provided to the Committee when available.
- 1.4 The Government has subsequently published a response to the Redmond recommendations in December 2020 and most recently, in May 2021.

2 Government responses to the Sir Redmond Review Findings

- 2.1 The Ministry of Housing, Communities and Local Government (MHCLG) published its response to the findings on 17 December 2020, which were grouped into five themes:
- Action to support immediate market stability.
 - Consideration of system leadership options.
 - Enhancing the functioning of local audits and the governance for responding to its findings.
 - Improving transparency of local authorities' accounts to the public.
 - Action to consider the functioning of local audits for smaller bodies.
- 2.2 The response confirmed the Government commitment to the principles of locally led audit regimes and that robust local scrutiny and accountability by the press and public are fundamental to the local audit framework.
- 2.3 The key recommendation made was that the Redmond Review recommended the Office of Local Audit and Regulation (OLAR) be created. This would oversee all aspects of local authority audit and Public Sector Audit Appointments (PSAA) created (the body who appoints 98% of all local authority audits) would be abolished.
- 2.4 The Government has produced a white paper on Corporate Audit in which it recommended creating a new body to replace the Finance Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA). The Government is proposing to add the role of oversight of local authority audit to ARGA, while the PSAA will continue to have oversight of appointing individual local authority auditors.
- 2.5 The other significant announcement was the amendment announced to the Audit and Accounts Regulations in response to the pandemic to further extend the date to produce audited accounts from 31st July to 30th September for a period of 2 years (2021/22 and 2022/23) with a commitment to review again to see whether there is a continued need to have this extended deadline.

3. MHCLG Audit Fees Consultation

- 3.1 There have been two recent consultations undertaken by the MHCLG in relation to the future external audit fees to be paid by local authorities.
- The first consultation relates to the allocation of the extra £15m to be used to support the current fees paid. This is intended to support affected local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Audit Practice, and to enable local authorities to develop standardised statements of service information and costs. *The Council responded to the consultation on 18 May 2021.*
 - The second consultation relates to 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. This is in response to the Sir Tony Redmond recommendation 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 Council responded to the consultation on 1 June 2021.*

4 Financial Implications

4.1 Not applicable as this report is for information.

5. Risk Management Implications

5.1 Not applicable as this report is for information.

6. Equality Screening

6.1 Not applicable as this report is for information.

7 Legal Implications

7.1 None arising from this report.

8. Background Papers

8.1 Full details of the Government response can be found on the Gov.uk website:

December response

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

May update.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update>