

**AUDIT COMMITTEE
17 NOVEMBER 2020**

BRIEFING PAPER ON THE REDMOND REVIEW

Cabinet Member(s): Cllr Andrew Moore, Cabinet Member for Finance
Responsible Officer: Catherine Yandle, Group Manager for Performance, Governance and Data Security

Reason for Report: In September 2020 Sir Tony Redmond completed an Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting; the Audit Committee should be made aware of the key recommendations.

Recommendation: That the contents of this briefing paper are noted.

Financial Implications: None except as a possible result of implementing the key recommendations from the Independent Review as described below.

Budget and Policy Framework: No Impacts

Legal Implications: To fully achieve the vision set out in the Review for a new organisation to act as the system leader for the local audit framework primary legislation will be required.

Risk Assessment: In 2018/19 40% of audits failed to meet the required deadline for reporting of 31 July, MDCC with the help of our external auditors, Grant Thornton, did meet this deadline. However this demonstrates the stresses present in the current arrangements.

Equality Impact Assessment: No Impacts

Relationship to Corporate Plan: None

Impact on Climate Change: No Impacts

1.0 Introduction/Background

1.1 In June 2019 Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. Whilst conducting the Review the guiding principles were accountability and transparency. How are local authorities accountable to service users and taxpayers and how are auditors accountable for the quality of their work; and how easy is it for those same individuals to understand how their local authority has performed and what assurance they can take from external audit work? 156 responses were received to a consultation which ran until 20 December 2019.

2.0 Main Recommendations

2.1 The key recommendations from the review may be summarised as:

- Potential deadline extension (to 30 September ?); whilst our accounts have not been late for several years there have been delays and obvious capacity issues for some external auditors so this is sensible.
- Potential fee increase; this is not unexpected and although undesirable may help with the capacity issues referred to above.
- Potential examination of the composition of audit committees; in order to ensure that the required knowledge and expertise are always present when considering reports, including consideration being given to the appointment of at least one suitably qualified independent member.
- The requirement that an annual audit report be submitted by the external auditor to the first Full Council meeting after 30 September each year.
- Formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (S151) to meet with the Key Audit Partner at least annually.
- Potential changes re reporting financial sustainability; this is not much different from the going concern principles but there would be additional reporting requirements to certain other bodies.
- A standardised statement of service information and costs to be prepared by each authority in such a way as to enable comparison with the annual budget and council tax set for the year. Again sensible to improve transparency of reporting.
- The creation of a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit, the Office of Local Audit and Regulation (OLAR). This would replace the Public Sector Audit appointments (PSAA) and input of other bodies. These auditors would be held accountable for performance by the new regulator, underpinned by an updated code of local audit practice.
- CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

3.0 Conclusions

3.1 The Audit Committee notes the recommendations which resulted from the Independent Review and await developments.

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Circulation of the Report: Cabinet Member seen and approved [yes/no – name of Cabinet Member], Cabinet, Leadership Team seen and approved [yes/no]

List of Background Papers:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf