

## Recommendations made in the Redmond Review of Local Audit and the Transparency of Local Authority Financial Reporting

No	Recommendation	Impact on the Council
	<b>External Audit Regulation</b>	
1	<p>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:</p> <ul style="list-style-type: none"> <li>• procurement of local audit contracts;</li> <li>• producing annual reports summarising the state of local audit;</li> <li>• management of local audit contracts;</li> <li>• monitoring and review of local audit performance;</li> <li>• determining the code of local audit practice; and</li> <li>• regulating the local audit sector.</li> </ul>	<p>This is a sound recommendation which can be supported in that the role of the new body is linked into supporting and enhancing the present external audit process.</p> <p>When the Audit Commission was abolished, the role it undertook was allocated to several agencies and an important co-ordination role was lost.</p> <p>The creation of a new body will result in an increased cost for external audit services, which in turn will be an additional cost for the Council. However, it is hoped this will be offset by an improved system of regulation.</p>
2	<p>The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> <li>• Public Sector Audit Appointments (PSAA);</li> <li>• Institute of Chartered Accountants in England and Wales (ICAEW);</li> <li>• Financial Reporting Council (FRC) / Audit, Reporting and Governance Authority (ARGA); and</li> <li>• The Comptroller and Auditor General (C&amp;AG)</li> </ul> <p>To be transferred to OLAR</p>	<p>The recommendation is sound in that the role of the new body is linked into supporting and enhancing the present external audit process.</p> <p>It will ensure better co-ordination of the external audit role for local authorities.</p>
3	<p>A Liaison Committee be established comprising key stakeholders and chaired by the Ministry of Communities Local Government and Housing (MHCLG), to receive reports from the new regulator on the development of local audit.</p>	<p>The arrangements for overseeing the creation of the OLAR, if accepted, will be a matter for the MHCLG as the sponsoring government department.</p> <p>It is important that the representation of the process adopted includes key practioners who prepare the accounts to ensure the burdens on local authorities are proportionate to the benefits</p>
4	<p>The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> <li>• an annual report being submitted to Full Council by the external auditor;</li> <li>• consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and</li> <li>• formalising the facility for the CEO, Monitoring Officer and Chief Financial</li> </ul>	<p>The principle of this recommendation is sound.</p> <p>Submitting the Annual Report to Council and formalising meetings with key officers of the Council is in the gift of the local authority to arrange.</p> <p>Ensuring every local authority can appoint an appropriate Chair of the Audit Committee, whilst laudable, may be a challenge, as shown by efforts to appoint unsuccessfully by this Authority. This</p>

No	Recommendation	Impact on the Council
	Officer (CFO) to meet with the Key Audit Partner at least annually.	aim is likely to be hindered by the potential lack of suitable candidates nationally.
5	All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	This recommendation highlights the sense in setting up a new body (OLAR) to improve Regulation. It is an acknowledgement that the present system of Regulation for external audit requires reform.
6	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.	<p>The challenge for local authorities in accepting the principles relating to external audit as set out in the Redmond Review is that costs will increase at a time financial resilience is likely to reduce. Clearly the level of any proposed increase will be an important consideration.</p> <p>However, the wider benefits of improved external audit are something that will benefit the whole Authority and improve governance.</p> <p>It will be a key role of the OLAR to ensure local authorities receive value for money and increased assurance from the increased fees.</p>
7	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.	<p>It is important the OLAR sets out the standards and improved benefits to local authorities when it is created and improves communication with Directors of Finance at individual authorities on present processes to get personal feedback which is confidential.</p> <p>Both the Audit Commission and Public Sector Audit Appointments have a process for reviewing audit quality, but they don't annually ask for face to face feedback which on occasions would produce a different response to filling in a form.</p>
8	Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	<p>The appointment of external audit overseen by both the Audit Commission and Public Sector Audit Appointments has seemed, on occasion, a little disengaged from practitioners. There is consultation in advance of the tender and then an appointment is made. The detail of the report highlights the 2017 appointment process did not consider past performance.</p> <p>OLAR can review the appointment process balancing independence with practical issues from Authorities so the process appoints the appropriate firms.</p> <p>The principle of the recommendation is sound.</p>
9	External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.	This is sensible where consistent with both organisations' professional standards.

No	Recommendation	Impact on the Council
10	The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	<p>This authority is used to the argument on the speed of producing the accounts against quality. Some senior finance professionals would argue 31 July is reasonable timeline to produce an audited opinion and others would consider 30 September is appropriate.</p> <p>The practical issue is that 31 July has proved challenging for all local authority opinions to be issued given the timescale for health bodies who use the same auditors.</p> <p>Given the current capacity within external audit it is perhaps sensible that the 31 July deadline be revised and those authorities who want to close their accounts early be given the flexibility to do so. This would allow for some phasing of the work programme for the External Auditors.</p>
11	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.	See response to question 10.
12	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.	This is a helpful recommendation and would improve the profile of the function of the External Auditor
13	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.	<p>The 2020 Audit Code of Practice has been prepared by the National Audit Office and will govern the external audit process. It is the second update overseen by this body.</p> <p>It would normally govern the audit process for a few years but assuming the recommendation to create the OLAR is accepted then it is sensible for a review to be undertaken. It would support developments such as the future appointment of external auditors.</p>
	<b>Smaller Authorities Audit Regulation</b>	
14	Smaller Authorities Audit Appointments Ltd (SAAA) considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other	There will be no impact on the Council as these recommendations relates to Smaller Authorities Audit Regulation.

No	Recommendation	Impact on the Council
	Smaller Authorities is proportionate to the nature and size of such organisations.	
15	SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.	There will be no impact on the Council as these recommendations relates to Smaller Authorities Audit Regulation.
16	SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.	There will be no impact on the Council as these recommendations relates to Smaller Authorities Audit Regulation.
	<b>Financial Resilience of local authorities</b>	
17	MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.	This will be dependent upon the government response to the Redmond Review. Assuming it is accepted then the Council will assess the impact of the MHCLG's recommendation on financial sustainability and include where necessary in the Council Statement of Accounts.
18	Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) prior to completion of the external auditor's Annual Report.	<p>The Council will work with the external auditors and provide all the relevant information to aid the external auditors to complete the Annual Report.</p> <p>The principle of considering all external inspection matters in the preparation of accounts seems sound.</p>
	<b>Transparency of Financial Reporting</b>	
19	A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.	In order to be proactive in response to this recommendation, Oldham Council has commenced work on the standardised statement of service information and costs, and this will be included within the financial statements produced for the financial year 2020/21.
20	The standardised statement should be subject to external audit.	<p>The recommendations state that the standardised statement for 2020/21, will not be subject to Audit. The audit of the standardised statements will commence from 2021/22.</p> <p>As highlighted above, the Council will prepare such a statement for 2020/21.</p>
21	The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.	The Council currently makes the Statement of Accounts available to all taxpayers/services users and will continue to do so to ensure all sections of the community and stakeholders have access to the information.

No	Recommendation	Impact on the Council
22	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA)/ Local Authority (Scotland) Accounts Advisory Committee (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.</p>	<p>Once the review is completed and the findings published, the Council will response to any consultations requested by CIPFA/LASAAC by the specified deadline.</p>
23	<p>The Joint Panel on Accounting and Governance (JPAG) be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:</p> <ul style="list-style-type: none"> <li>• Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;</li> <li>• Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and</li> <li>• Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.</li> </ul>	<p>There will be no impact on the Council as these recommendations relates to Smaller Authorities Audit Regulation.</p>