



**Oldham**  
Council

## Report to Audit Committee

# Update on the Redmond Review and External Audit Consultations

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

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## Reason for Decision

This report sets out the:

- a) The Government response to the Redmond Review. The findings of the Redmond Review were reported to this Committee at an earlier meeting. The Government via the Ministry of Housing and Local Government (MHCLG) has now considered this report and responded to the recommendations made.
- b) The two recent consultations linked into the Redmond Report by the MHCLG around how the future fees from 2021/22 will be charged for external audit.

## Executive Summary

Sir Tony Redmond was requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of the financial reporting regime. This report is complete and has presented to the Secretary of State for Housing, Communities and Local Government. 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
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This report outlines the Government response to this report including the most important one which is linked into the future regulation of local authority external audit.

It also details two recent consultations undertaken by the MHCLG linked into the future Scale Fees to be paid for future external audit.

### **Recommendation**

Members note the content of the report.

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**Update on the Redmond Review and external audit consultations****1 Background**

- 1.1 The regulatory regime for Local Audit changed under the Coalition Government when the Audit Commission was abolished. The functions undertaken by the Audit Commission were reallocated to a few bodies and Public Sector Audit Appointments (overseen by the Local Government Association) was created to undertake the tendering and oversight of performance for local authority appointed auditors.
- 1.2 The decision to abolish the Audit Commission did attract some controversy and Sir Tony Redmond was commissioned to undertake an independent review by the Ministry of Housing, Communities and Local Government to assess the effectiveness of Local Audit and the Transparency of Local Authority Financial Reporting. Sir Tony Redmond was an experienced Finance Professional (Former Chief Executive and Treasurer) and a former Chairman of the Chartered Institute of Public Finance and Accountancy. The review recognised that the oversight of local authorities by a few different bodies was fragmented after the abolition of the Audit Commission. As an example of how matters need to improve, as at 31 March 2021 116 local authorities had not received an opinion on their 2019/20 accounts.
- 1.3 The Council prior to the Redmond Review was informed of its Scale Fee on an annual basis. Over a period, it has become recognised that the ongoing reductions in the fees paid to external audit were not enough to cover the cost of an independent audit. In response to the Redmond Review the Government allocated £15M to fund extra costs to be paid to Councils to support payments to External Auditors from the financial year 2021/22. The views of local authorities have been sought around allocating this extra funding and how future fee variations should be processed. This report outlines the Council response.

**2 Government response to Review Findings**

- 2.1 The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting reported back to the Secretary of State for Housing, Communities and Local Government in September 2020. In total 23 recommendations covering the following areas were made for the Secretary of State to consider:
- External Audit Regulation
  - Small Authorities Audit Regulation
  - Financial Resilience of local authorities
  - Transparency of Financial Reporting
- 2.2 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. The Government was not convinced the creation of an organisation like the Audit Commission was the most appropriate way forward. In March 2021 it produced a white paper on Corporate Audit in which it recommended creating a new body to replace the Finance Reporting Council the Audit, Reporting and Governance Authority (ARGA). In response to the Redmond Review the Government is proposing to add the role of oversight of local authority audit to
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ARGA so one body will be responsible for the oversight of both public and private sector external audit. The PSAA will continue to have oversight of appointing individual local authority auditors. There would be a liaison group overseen by the MHCLG to consider emerging issues which will then be discussed with ARGA and the PSAA. The Government has not been convinced that a body like the Audit Commission such as OLAR recommended by Sir Tony Redmond needed to be created.

- 2.3 The other significant announcement in the latest response to the Redmond Review was the amendment announced to the Audit and Accounts Regulations in response to the pandemic to further extend the date to produce audited accounts to 30 September by a further two years (2021/22 and 2022/23).

### **3 Audit Fees Consultation by the MHCLG**

- 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 related to the allocation of the extra £15M to be used to support the current fees paid. The recommended approach was to allocate to Councils based on the Scale Fee. This Council suggested it should be in part based upon the complexity of the local authority and in part on the Scale Fee. The second consultation was linked into the oversight of changes to future external fees to those already agreed by the PSAA and the role of individual authorities compared to the PSAA in agreeing such changes. The view expressed was that the local authority should be the body to agree such changes.

### **4 Way Forward**

- 4.1 It is recommended that the Audit Committee notes:
- The response to the Redmond Review
  - The consultations on the Audit Scale Fee.

### **5 Options/Alternatives**

- 5.1 N/A

### **6 Preferred Option**

- 6.1 N/A.

### **7 Consultation**

- 7.1 N/A

### **8 Financial Implications**

- 8.1 N/A

### **9 Legal Services Comments**

- 9.1 N/A.
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10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 N/A.

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equality, community cohesion and crime implications**

17.1 N/A.

18 **Equality Impact Assessment Completed?**

18.1 None.

19 **Key Decision**

19.1 N/A.

20 **Forward Plan Reference**

20.1 N/A.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: [Local authority financial reporting and external audit: government response to the Redmond review - GOV.UK \(www.gov.uk\)](#)

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22 **Appendices**

22.1 None.