

**Decision Maker:**       **AUDIT SUB-COMMITTEE  
GENERAL PURPOSES AND LICENSING COMMITTEE**

**Date:**                   **3 November 2020/25<sup>th</sup> November 2020**

**Decision Type:**       Non-Urgent                   Non-Executive                   Non-Key

**Title:**                   **THE REDMOND REVIEW OF LOCAL AUTHORITY FINANCIAL  
REPORTING AND EXTERNAL AUDIT**

**Contact Officer:**     David Hogan, Head of Audit and Assurance  
Tel: 020 8313 4886   E-mail: [david.hogan@bromley.gov.uk](mailto:david.hogan@bromley.gov.uk)  
David Dobbs, Head of Corporate Finance and Accounting  
Tel: 020 8313 4145   E-mail: [david.dobbs@bromley.gov.uk](mailto:david.dobbs@bromley.gov.uk)

**Chief Officer:**       Peter Turner, Director of Finance  
Tel: 020 8313 4668   E-mail: [peter.turner@bromley.gov.uk](mailto:peter.turner@bromley.gov.uk)

**Ward:**                   Borough Wide

---

1.    Reason for report

1.1   This report sets out the results of the Redmond Review of Local Authority Financial Reporting and External Audit as published on 8<sup>th</sup> September. The report contains a number of recommendations which, subject to further clarification and legislation, will impact on the Council in a number of areas.

---

2.    **RECOMMENDATIONS**

2.1   **The Committee is requested to consider and note the results of the Redmond Review of Local Authority Financial Reporting and External Audit (refer to the Appendix for the full report) and the recommendations contained therein.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
- 

### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
- 

### Financial

1. Cost of proposal: Not Applicable
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: External Audit
  4. Total current budget for this head: £244,506 for the authority and £22,600 for the Pension Fund.
  5. Source of funding: Not Applicable
- 

### Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not applicable
- 

### Legal

1. Legal Requirement: Statutory Requirement – The report concerns the statutory requirements required by the Local Audit and Accountability Act 2014
  2. Call-in: Not Applicable
- 

### Procurement

1. Summary of Procurement Implications: The report contains recommendations that may, at some point in the future, alter the mechanism by which the Council procures its external auditor.
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

### 3. COMMENTARY

#### Background to the Review

3.1 The Redmond Review is one of four key reviews that have recently examined different aspects of the scope and quality of external audit in the UK, as set out below:

- Kingman Review into the Financial reporting Council (*published December 2018*)
- Competition and Market's Authority Review into the UK statutory audit market (*April 2019*)
- Brydon Review into the Quality and Effectiveness of Audit (*December 2019*)
- Redmond Review of the Quality of Local Authority Financial Reporting and External Audit (*September 2020*).

3.2 The Redmond review of local authority financial reporting and external audit was instigated in July 2019 by the [then] Communities Secretary Rt Hon James Brokenshire MP. The review focuses on the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review considers the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough. Additionally, it also looked at whether the public has lost faith in auditors and whether the current audit arrangements for Councils are still 'fit for purpose'.

#### Scope of the Review

3.3 The review was led by the former President of CIPFA (Chartered Institute of Public Finance and Accountancy) Sir Tony Redmond. He is also a former local authority Treasurer and Chief Executive.

3.4 At the outset the following questions were identified as focus areas for the review:

- Have the financial savings from local audit reforms been realised?
- Is there a more accessible audit market and has there been an increase in audit providers?
- Have audit standards been maintained or improved, and not been compromised?
- Is there an 'expectation gap' in what external audit provides? What is the nature of the gap and how can it be filled?
- Are auditors properly responding to questions or objections by local taxpayers?
- Are auditors using their reporting powers in an appropriate way?
- Are audit recommendations effective in helping local authorities to improve their financial management?
- Are councils responding to auditor recommendations in an appropriate manner?
- Whether local authority accounts report financial performance including use of resources against budget in a manner that is transparent and comprehensible to Council Taxpayers and the general public?

- Does the financial information provided in local authority accounts facilitate scrutiny by local taxpayers and by the local press?

## **Recommendations**

- 3.5 The report makes a number of recommendations, many of which can be implemented without the need for primary legislation. However, the recommendation (described below) for the establishment of a new regulatory body will require a change in the law. Other important legislation on audit reform, implementing the Kingman and Brydon reviews is also pending.
- 3.6 The key recommendations made in the review are as follows:
- 3.6.1 Establishment of a new regulator OLAR (the Office of Local Audit and Regulation) to oversee, procure, manage and regulate the external audits of local authorities in England. If accepted, some of the existing regulatory responsibilities that currently sit with ICAEW, FRC, PSAA and the NAO would transfer to this new body.
- 3.6.2 Governance arrangements to be reviewed, such that:
- a) An annual report from the external auditor should be submitted to the first Full Council meeting after 30 September
  - b) Consideration given to having at least one independent member on local authority audit committees with sufficient training and expertise to support elected representatives in scrutinising local authority finances
  - c) There will be a formal requirement for the Head of Paid Service, Section 151 Officer and Monitoring Officer to meet at least annually with the Key Audit Partner of the external auditor
  - d) External Audit recognises Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Practice
  - e) A simplified standard financial statement of services and costs to be made available to the public and subject to audit. For 2020/21 the statement will be produced on a trial basis, and no audit will be required, with full implementation as an audited statement in 2021/22
  - f) The CIPFA-LASAAC Board to review the statutory accounts to see if improvements can be made to improve their usefulness and understandability
  - g) The deadline for publishing audited local authority accounts to be revisited with a view to extending it to 30<sup>th</sup> September (from 31<sup>st</sup> July).
- 3.7 A complete list of the recommendations and the corresponding detailed findings can be found in the full Report (refer to the Appendix). As and when the recommendations are codified in guidance or enacted through legislation, officers will update Members on the Council's response.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 Fees are agreed annually with the external auditor to cover the cost of their annual audit activity. For 2020/21 the proposed fee is under consideration.

## **5. LEGAL IMPLICATIONS**

- 5.1 The review focused on the arrangements for local authority financial reporting and auditing put in place by the Local Audit and Accountability Act 2014. Some of the recommendations in the Report will require primary legislation to be enacted.

## 6. PROCUREMENT IMPLICATIONS

- 6.1 The Redmond Review includes recommendations which, if implemented, will alter the procurement arrangements for local authority external auditors. Further details on this will be provided to Members

<b>Non-Applicable Sections:</b>	Impact on Vulnerable Adults and Children Policy, Personnel Implications.
Background Documents: (Access via Contact Officer)	None.