

## EAST SUSSEX FIRE AND RESCUE SERVICE

**Meeting** Scrutiny & Audit Panel

**Date** 12 November 2020

**Title of Report** Redmond Review

**By** Assistant Director Resources / Treasurer

**Lead Officer** Duncan Savage, Assistant Director Resources / Treasurer

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**Background Papers** None

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**Appendices**

1. Redmond Review
2. Public Sector Audit Appointments' (PSAA) response

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### Implications

<b>CORPORATE RISK</b>		<b>LEGAL</b>	✓
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>	✓	<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b>			

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**PURPOSE OF REPORT** To inform the Panel of the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting and seek its views on the reports main recommendations.

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**EXECUTIVE SUMMARY** The Government commissioned an independent review into the effectiveness of local audit and the transparency of local financial reporting by Sir Tony Redmond which was published in September 2020.

The review concludes that that the current local audit arrangements fail to deliver, in full, policy objectives underpinning the Local Audit and Accountability Act 2014. As a result, the overriding concern must be a lack of coherence and public accountability within the existing system. For local audit to be wholly effective it must provide a service which is robust, relevant, and timely; it must demonstrate the right balance between price and quality; and be transparent to public scrutiny.

The evidence is compelling to suggest that the current audit service does not meet those standards.

Some of the key findings within the report are as follows:

- Over 40% of local authority account for 2018/19 had not been subject to completed audits by the statutory deadline
- The external auditor's vfm conclusion offers little value
- Local auditors are often lacking in knowledge of local government finance
- Audit Committee members do not always have the requisite skills or experience to understand the accounts or the auditor's report
- The transparency of audit outcomes to the public needs to be improved
- External audit does not place sufficient reliance on the work of internal audit
- The statutory accounts are impenetrable
- Review of property plant and equipment and pensions valuations have added complexity and cost to the audit process
- The oversight of local audit is fragmented and ineffective
- Audit fees have reduced by 42% since 2015 and this has impacted both on the quality of the audit and on the local audit market

The report makes a total of 23 recommendations which can be summarised as follows:

### ***External Audit Regulation***

1 & 2. The establishment of a new body the Office of Local Audit & Regulation (OLAR) to manage, oversee and regulate local audit taking on responsibilities from various existing bodies.

3. The establishment of a stakeholder Liaison Committee chaired by MHCLG.

4. Changes to governance arrangements within local authorities including the submission of an annual report to Full Council by the external auditor and consideration of the appointment of at least one independent member, suitably qualified to the Audit Committee.

5. Improved provision of skills and training to external auditors

6. Revision of the fee structure for local audit

7. Enforcement of audit quality by OLAR

8. Revisions to statute to ensure audit firms with the necessary capacity, skills and experience are not excluded from bidding for local audit work.

9. External audit should draw on the expertise and knowledge of internal audit

10. The deadline for publishing local authority accounts reverts to 30 September

11. There is consultation with the Health sector regarding the timing of audits

12. The external auditor should present the Annual Audit Report to the first full Council meeting after 30 September

13. OLAR to review the effectiveness of external audit consideration of financial resilience and value for money in line with the 2020 Audit Code of Practice.

### ***Smaller Authorities Audit Regulation***

14-16 Changes to the regulation of smaller authorities' audit.

### ***Financial Resilience***

17. MHCLG reviews its approach to seeking assurance on the financial sustainability of local authorities.

18. Local auditors and inspectorates should share concerns relating to service and financial viability of local authorities.

### ***Transparency of Financial Reporting***

19 - 21. A simplified statement of service information and costs be prepared that sits alongside the statutory accounts, is subject to external audit and communicated to local communities.

22. CIPFA / LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare a standardised statement, to see if they can be simplified.

23. That improvements are made to the Annual Governance and Accountability Return prepared by smaller authorities.

The report notes that implementation of its recommendations would, in part, require regulatory or legislative change, however, changes to fee structure rest with PSAA, skills and training for local audit staff rests with the audit firms, simplification of the statement of accounts with CIPFA and local governance including the appointment of independent members to Audit Committees rests with local authorities.

In addition there are a number of other reviews which whilst not specifically aimed at the public sector may influence local audit and the audit market more generally:

- The Brydon Review of the Quality and Effectiveness of Audit
- The Competition & Markets Authority Review of the UK audit market
- The Kingman Reviews of the Financial Reporting Council and Audit Procurement

A Government response the Redmond Review is expected in due course.

A copy of the PSAA response to the Review is attached at Appendix 2.

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**RECOMMENDATION**

The Panel is recommended to:

- (i) Consider and comment upon the recommendations in the Redmond Report;
  - (ii) Identify any local improvements it wishes to make as a result.
  - (iii) Consider whether it wishes to establish a working group to track national developments and advise the Panel on its local response to the Redmond Report
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