

EAST SUSSEX FIRE AUTHORITY

Meeting	Scrutiny & Audit Panel
Date	21 July 2022
Title of Report	Measures to Improve Local Audit
By	Assistant Director Resources / Treasurer
Lead Officer	Duncan Savage, Assistant Director Resources / Treasurer

Background Papers	Scrutiny & Audit Panel 12 November 2020 – Redmond Review Scrutiny & Audit Panel 29 April 2021 – Redmond Review Working Group Update Scrutiny & Audit Panel 20 January 2022 – Measures to improve local audit 220220 SA Measures to Improve Local Audit.pdf (moderngov.co.uk)
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Appendices	<ol style="list-style-type: none">1. DLUHC – Policy Paper – Local authority financial reporting and external audit: Spring update2. CIPFA – Position Statement: Audit Committees in Local Authorities and Police 2022
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Implications (please tick ✓ and attach to report)

Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK		LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT	To provide and update to the Panel on DLUHC's commitment to improve local audit in response to the Redmond Review.
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EXECUTIVE SUMMARY	The Government commissioned an independent review into the effectiveness of local audit and the transparency of local
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financial reporting by Sir Tony Redmond which was published in September 2020.

In December 2021 DLUHC published a series of commitments setting out how it intended to address some of the key issues identified in the Redmond Review and this was covered in the report to this Panel in January 2022 (see link above).

In May 2022 DLUHC published an update which is included in full at Appendix 1. There is a degree of repetition in the update reflecting earlier decisions and commitments – the main updates of interest to the Panel are summarised below:

- *Systems Leadership* - In March 2021 the government published a [White Paper](#) setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. The Government recognises that it will require primary legislation to give ARGA the necessary statutory responsibilities and powers to function appropriately.
- *Focus of local audit* - ARGA should undertake a post implementation review to assess whether recent changes to the Code of Audit Practice have led to more effective external audit consideration of financial resilience and value for money matters.
- *Procurement / appointing person arrangement* – DLUHC confirms that it remains their view that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement and that a priority needs to be expanding the number of firms engaged in the market
- *Progress implementing other recommendations relating to auditor training and qualifications, the functioning of local audit, and governance, the transparency of local authorities' accounts and the audit of smaller bodies* - DLUHC is working with CIPFA to develop the new Standardised Statements of accounts, and consideration is also being given to making further amendments to the Accounts and Audit Regulations – subject to consultation – to require the development and auditing of the new Standardised Statement. New burdens for local bodies resulting from these new requirements will be met from part of the additional £15m provided to local bodies for 2021/22.
- *Independent Members* – The Government intends to legislate to require all local authorities to establish an audit

committee, separated from its scrutiny functions and to require at least one independent member to be appointed to it.

DLUHC has provided £15m to help meet the increased cost of audit in 2021/22, including the new Code of Audit Practice requirements, and fund any costs related to the Redmond Review. It also states that it will ensure that the New Burdens Doctrine will apply to any future increases in requirements. As can be seen from the paper elsewhere on this agenda the £12,212 allocation received by the Authority is insufficient even to cover the external audit scale fee variation.

CIPFA has yet to publish its updated guidance on Audit Committees (this was promised in both April and June 2022) but it has updated its position statement (Appendix 2) which recommends that audit committees should include at least two co-opted independent members.

There are a number of outstanding actions from the Authority's Redmond Review Working Group (which reported to this Panel in April 2021):

- Terms of Reference of S&A Panel to be reviewed to ensure they are explicit in relation to the ability to refer matters to full Fire Authority
- Skills audit to be carried out with S&A Panel Members post-elections.
- Revisit whether an independent member would be helpful to fulfil any skills gaps.
- Consideration to be given to whether training for S&A members could be made compulsory

There is clearly an overlap between these outstanding actions and some of the commitments made by DLUHC. At its meeting in January the Panel agreed to pause any further action until the revised CIPFA audit committee guidance was published.

RECOMMENDATION

The Panel is recommended to:

- i) Consider and comment upon the DLUHC update and the CIPFA position statement;
 - ii) Re-establish the Redmond Review Working Group to review the Authority's compliance with the CIPFA audit committee guidance (when published) and the other actions arising from the Redmond Review.
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