

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 25 November 2020

Report of: Director Finance

Title: OVERVIEW OF THE REDMOND REPORT RECOMMENDATIONS

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To update the Committee on the recommendations of the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

2. Recommendations:

It is recommended that:

- 2.1 Audit and Governance Committee note the contents of the report;

3. Reasons for the recommendation:

- 3.1 To provide members of the Committee with an overview of the recommendations, which will impact on their role on the Audit and Governance Committee.

4. What are the resource implications including non financial resources.

- 4.1 There are no specific resource implications arising from the publication of the report. However, if the Government accept the recommendations, there is an expectation that the cost of External Audit will increase and the requirement for additional reporting by the Council risks additional staffing being required in finance to meet the significantly larger amount of work being delivered.

5. Section 151 Officer comments:

- 5.1 The review has recognised that the current structure is not working, however the recommendations risk adding significant cost at a time when Councils will be required to make significant savings.

6. What are the legal aspects?

- 6.1 A number of the recommendations will require legislative changes to be enacted. It is therefore uncertain as to when these elements of the recommendations, if accepted, will come into force.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

- 8.1 The Redmond review was published in September 2020 and if accepted by Government will have a significant impact on both the financial reporting and audit of Local Government. In conducting the review, Sir Tony Redmond, was asked to undertake an independent review of the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. The Review also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

- 8.2 The key findings were:

- The current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act.
- As a result, the overriding concern is a lack of coherence and public accountability within the existing system.
- The local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way with 40% of audits failing to meet the required deadline for report in 2018/19
- Without prompt action to implement the recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

- 8.3 The recommendations are set out in Appendix A. Some of the recommendations will require changes in legislation, which will take time to enact. It is important to note that the recommendations of the review will add significant pressure to finance departments as well as additional cost in respect of external audit. It is not clear that the key problems with audit (too much focus on material issues that are not as important in Local Authority Accounts such as pensions and Fixed Assets) will be addressed by the outcome of this review. It is also not clear how yet another financial report reconciled to the Statement of Accounts will help the public understand what is an extremely complex financial entity.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 Not applicable.

10. What risks are there and how can they be reduced?

- 10.1 There are no direct risks associated with this report

EQUALITY ACT 2010 (THE ACT)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because
- 11.4.1 The report is for information only.

CARBON FOOTPRINT (ENVIRONMENTAL) IMPLICATIONS:

- 12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

- 13.1 Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

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