



## **Governance Scrutiny Group**

**Thursday, 28 November 2024**

### **Update on the Redmond Review of Public Sector Audit**

## **Report of the Director of Finance and Corporate Services**

### **1. Purpose of report**

- 1.1. This report has several objectives. To provide the Group with an update on the original recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (The Redmond Review) in terms of their progress, or otherwise.
- 1.2. It revisits the proposal of whether the Governance Group will approve having an Independent Member on the Group, which is considered good practice.
- 1.3. It focuses on CIPFA's self-assessment on scrutinising Treasury Management to Rushcliffe and where we can make some subtle improvements.

### **2. Recommendation**

It is RECOMMENDED that Governance Scrutiny Group;

- a) Consider the recommendation at paragraph 4.5.3 (b) to appoint an independent member to the Governance Scrutiny Group subject to approval by full Council
- b) Consider the recommendations arising from CIPFA's Self-assessment 'Effective Scrutiny of Treasury Management' at paragraph 4.6 and Appendix B.

### **3. Reasons for Recommendation**

- 3.1. To enable members to scrutinise the CIPFA's Self-assessment 'Effective Scrutiny of Treasury Management' and comply with best practice

### **4. Supporting Information**

- 4.1. In June 2019, the Government commissioned Sir Tony Redmond to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. The findings from Sir Redmond's report were published on 8 September 2020. A link to the

Report can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

- 4.2. The recommendations from The Redmond Review were presented to this group on 24 June 2021 and these are summarised at Appendix A.
- 4.3. The guiding principles of the review were:
  - accountability and transparency;
  - how are local authorities accountable to service users and taxpayers and how are auditors accountable for the quality of their work?; and
  - how easy is it for those same individuals to understand how their local authority has performed and what assurance they can take from external audit work?
- 4.4. In summary, the review made detailed proposals for a new organisation with the clarity of mission and purpose to act as the system leader for the local audit framework; and for a standardised statement of service information and costs, compared to the annual budget, that is aimed at taxpayers and service users.
- 4.5. There were 5 key recommendations (in parenthesis are the Redmond Review recommendations):
  - 4.5.1. **Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)**

*(a) Fee Structure and PSAA appointments*

Public Sector Audit Appointments Ltd (PSAA) will set scale fees and determine fee variations where the auditor undertakes substantially more or less work than assumed by the scale fee and will consult with bodies where appropriate. There has been a significant increase in the scale fees for Local Authorities nationally. For Rushcliffe this has equated to £96,584 (304%) from 2021/22 to 2023/24. The purpose of the amendments to the fee structure is to reduce the variations in fee amendments and make pricing more transparent. It remains to be seen if this measure will result in stability of the audit fee.

*(b) Publishing dates*

Only 41% of local authorities published their draft accounts for 2023/24 by the audit deadline 128 authorities out of 315 published their draft accounts by the 31 May deadline. For financial years 2024/25 to 2027/28, the date by which Category 1 bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.

The Government set a backstop of 13 December 2024 for bodies to publish audited accounts for financial years up-to-and-including 2022/23. Where auditors have been unable to complete audits, they will issue a 'disclaimed' or 'modified' audit opinion.

The government also set the following statutory deadlines for these years:

2023/24: 28 February 2025

2024/25: 27 February 2026

2025/26: 31 January 2027

2026/27: 30 November 2027

2027/28: 30 November 2028

It should be noted however that the Council are currently up to date with its audit and therefore is unaffected by the 'backstop' dates proposed. Whilst this is a favourable position to be in, the Council is still at risk from the residual effect of delayed audits within the sector (with demand and resourcing issues impacting finance and audit teams alike).

#### **4.5.2. Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)**

##### *(a) Independent Regulator*

The Financial Reporting Council (FRC) is now the system leader for local audit ahead of the legislation to establish the Audit, Reporting and Governance Authority (ARGA), referenced in the Kings Speech 2024.

#### **4.5.3. Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)**

##### *(a) External audit to report to full council 30 Sept*

It was recommended external audit should report to Full Council. This has not been confirmed as recommended practice by the Council's external auditors. Currently annual audit reports come to this Group.

##### *(b) Appointment of independent member*

One of the proposals from the Redmond Review was the appointment of independent members on Audit Committees. This was recommended to the Governance Scrutiny Group at the meeting on 24 June 2021, however this was not supported at that time.

This recommendation is now represented to this group for consideration once again. A suitably qualified independent member of the group should enhance the levels of skill and experience for the Group to enable further

challenge given the complexities of local government finance and governance. This is also recommended by internal and external auditors.

(c) Audit to meet 3 statutory officers

The Council partially meets this requirement with the Chief Executive Officer (Head of Paid Service) and the Director of Finance (s151 Officer) meeting external audit annually and it is proposed this is extended to include the Council's Monitoring Officer. External audit currently have separate access to the Council's Monitoring Officer if required.

**4.5.4 Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)**

(a) Statement of service information (audited)

The Redmond Review recommended that a simplified statement of service information and costs is prepared by each local authority in such a way as to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. The proposed new statement would be prepared in addition to the statutory accounts, which could be simplified as per the recommendation below.

The Council follows the CIPFA Code of Practice when producing financial statements and as yet no such guidance on producing any replacement statements have been produced. The Council does reconcile it's year end management accounts (taken to both COG and Cabinet i.e. it's financial outturn position) to it's year-end financial statements. Ultimately the aim should be to improve clarity and ease of information for all stakeholders, including the wider community.

**4.5.5 Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)**

Not Applicable to Rushcliffe.

4.6. We have liaised with the Portfolio Holder for Finance and the Chair of Governance Scrutiny Group to review CIPFA's Self-assessment 'Effective Scrutiny of Treasury Management' (**Appendix B**). Recommendations arising from this review are:

- Officers should suggest questions pertinent to the report, that the group may wish to consider
- Seek feedback from the group on the technical content of reports
- The Treasury Management Policy Statement should be included as part of the Capital and Investment Strategy

- The group should revisit the recommendation of the appointment of an Independent Person
- Request that the group raise questions in advance of the scrutiny meeting
- Seek suggestions from the group on how to improve reports

## **5. Risks and Uncertainties**

- 5.1. There are no direct risks although the to ensure sound governance and accountability a good system of audit is a necessity.

## **6. Implications**

### **6.1. Financial Implications**

The appointment of an Independent Member will incur a minor cost of £360 per annum, based on the current costs of independent members at the Council and will be identified from existing budgets. This may have to be revisited to compare with market rates elsewhere and is also dependent on if the recommendation is approved, and when advertised, a sufficiently qualified applicant can be recruited. Any change in funding will have to be found from existing budgets.

### **6.2. Legal Implications**

The principle of having an appointed independent member on Governance Scrutiny Group will require a change to the membership of the committee that would require Full Council approval. If members were minded to support the appointment of one or more independent members to the committee, a report would be presented to Council along with any other proposed changes to the Constitution.

When the next Independent Remuneration Panel meets it will also consider remuneration for independent members which would require approval by Full Council.

### **6.3. Equalities Implications**

There are no equalities implications identified as a result of this report.

### **6.4. Section 17 of the Crime and Disorder Act 1998 Implications**

There are no Section 17 implications.

### **6.5. Biodiversity Net Gain implications**

There are no Biodiversity Net Gain Implications.

## 7. Link to Corporate Priorities

Quality of Life	Effective audit impacts across all council corporate priorities.
Efficient Services	
Sustainable Growth	
The Environment	

## 8. Recommendations

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<b>Background papers available for inspection:</b>	There are no other background papers although the original report and MHCLG consultation responses are available on the MHCLG website.
<b>List of appendices:</b>	Appendix A – summary of key findings of the Redmon Review Appendix B – CIPFA Self-assessment 'Effective Scrutiny of Treasury Management'