

## Appendix A: Table of Redmond review recommendations and MHCLG response / progress

### Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

Recommendation	December MHCLG Response	Progress update
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	<b>Accept</b> ; we will work with the ICAEW, CIPFA and FRC to deliver this recommendation	<b>In progress.</b> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the ICAEW, CIPFA and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> </ul>
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	<b>Accept</b>	<b>In progress.</b> <ul style="list-style-type: none"> <li>• We are currently consulting on proposals to make amendments to The Local Audit (Appointing Person) Regulations 2015 that will, subject to stakeholders' views, provide Public Sector Audit Appointments Ltd (PSAA) (the bulk audit services procurement body) with more flexibility to agree fees that more closely match the actual costs of audit.</li> <li>• We are providing £15 million to principal bodies, both to help support affected bodies to meet the anticipated increase in audit fee costs in 21/22 and to support with new burdens relating to implementing Redmond's recommendations. We are currently seeking views via public consultation on the methodology for distributing this funding in the fairest way and our intention is to confirm individual allocations as soon as possible after the consultation closes on 18 May.</li> </ul>

Recommendation	December MHCLG Response	Progress update
		<ul style="list-style-type: none"> <li>• We have reconfirmed PSAA Ltd as the appointing body ahead of the next procurement, and will work closely with them, as well as other stakeholders, to ensure alignment in objectives between the procurement and the wider local audit system.</li> </ul>
<p>8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.</p>	<p><b>Part accept;</b> we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the ICAEW and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes reviewing guidance relating to the entry criteria for key audit partners (KAPs).</li> </ul>
<p>10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.</p>	<p><b>Part accept;</b> we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review</p>	<p><b>Delivered.</b></p> <ul style="list-style-type: none"> <li>• Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021.</li> <li>• At the end of this period we will review whether there is a continued need to have an extended deadline.</li> </ul>
<p>11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSE/I and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.</p>	<p><b>Accept</b></p>	<p><b>Delivered.</b></p> <ul style="list-style-type: none"> <li>• Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021.</li> <li>• At the end of this period we will review whether there is a continued need to have an extended deadline.</li> </ul>

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

Recommendation	December MHCLG Response	Progress update
<p><b>1.</b> A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> <li>• procurement of local audit contracts;</li> <li>• producing annual reports summarising the state of local audit;</li> <li>• management of local audit contracts;</li> <li>• monitoring and review of local audit performance;</li> <li>• determining the code of local audit practice; and</li> <li>• regulating the local audit sector.</li> </ul> <p><b>2.</b> The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> <li>• Public Sector Audit Appointments (PSAA);</li> <li>• Institute of Chartered Accountants in England and Wales (ICAEW);</li> <li>• FRC/ARGA; and</li> <li>• The Comptroller and Auditor General (C&amp;AG) to be transferred to the OLAR.</li> </ul>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Part accept;</b></p> <ul style="list-style-type: none"> <li>• We accept the need for a single organisation to have responsibility for leadership of the local audit system, including oversight of the quality framework and encouraging competition in the local audit market.</li> <li>• We accept that this requires a single body to have responsibility for: <ul style="list-style-type: none"> <li>o Producing annual reports summarising the state of local audit;</li> <li>o Monitoring and review of local audit performance;</li> <li>o Determining the code of local audit practice; and</li> <li>o Regulating the local audit sector.</li> </ul> </li> <li>• We do not accept that a new body needs to be created to undertake these functions, and think that these functions, as well as an overarching responsibility for system leadership and encouraging competition in the local audit market, should be undertaken by the Audit, Reporting and Governance Authority (ARGA), set to be established to replace the Financial Reporting Council.</li> <li>• We do not accept that this body should also have responsibility for procurement and management of local audit contracts, and think that these functions should continue to be undertaken by PSAA.</li> <li>• We will work with stakeholders to refine these proposals ahead of a public consultation before summer recess.</li> </ul>
<p><b>3.</b> A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Part accept;</b> we will establish this new Liaison Committee, but think that this should be chaired by ARGA as the ‘system leader’ once the new arrangements are established. MHCLG will chair this in the intervening period.</p>

Recommendation	December MHCLG Response	Progress update
7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.	<b>We are considering these recommendations further</b> and will make a full response by spring 2021	<b>Part accept;</b> we will work with stakeholders to consider whether additional sanction powers beyond the audit enforcement procedures that ARGA will already have are necessary.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.	<b>We are considering these recommendations further</b> and will make a full response by spring 2021	<b>Accept;</b> we have endorsed the changes to the 2020 Audit Code of Practice, and will look to ARGA to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters in due course.
17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.	<b>We are considering these recommendations further</b> and will make a full response by spring 2021	<b>Accept;</b> MHCLG carries out a range of assurance activity, drawing on local authority data and financial metrics and soft intelligence from engagement with the sector. The Department has undertaken additional data collection in 2020-21 to provide government with robust data on local financial pressures in the context of the Covid-19 pandemic, and has also implemented a consistent process to engage with local authorities facing financial challenges and, where appropriate, provide exceptional financial support.

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

Recommendation	December MHCLG Response	Progress update
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<p><b>4.</b> The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> <li>• an annual report being submitted to Full Council by the external auditor;</li> <li>• consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and</li> <li>• formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.</li> </ul>	<p><b>Accept;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>
<p><b>9.</b> External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>	<p><b>Accept;</b> we will work with the NAO and CIPFA to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>
<p><b>12.</b> The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>	<p><b>Accept;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation, including whether changes to statute are required</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies</li> </ul>

Recommendation	December MHCLG Response	Progress update
<p><b>18.</b> Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.</p>	<p><b>Accept;</b> we will work with other departments and the NAO to deliver this recommendation</p>	<p>and audit firms.</p> <p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>

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

Recommendation	December MHCLG Response	Progress update
<p><b>19.</b> A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.</p>	<p><b>Accept;</b> we will work with CIPFA to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> <li>• We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.</li> </ul>
<p><b>20.</b> The standardised statement should be subject to external audit.</p>	<p><b>Accept;</b> we will work with CIPFA and the NAO to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> <li>• We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.</li> </ul>

Recommendation	December MHCLG Response	Progress update
<p><b>21.</b> The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.</p>	<p><b>Accept;</b> we will work with the LGA and CIPFA to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> <li>• We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.</li> </ul>
<p><b>22.</b> CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.</p>	<p><b>Accept;</b> we will look to CIPFA to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• CIPFA/LASAAC has agreed a new Strategic Implementation Plan that includes delivery of this recommendation.</li> </ul>