

Audit Committee

30 September 2021



Update on the Independent Review of Local Authority Financial Reporting and Audit (Redmond Review)

Ordinary Decision

Report of Paul Darby, Corporate Director of Resources (Interim)

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Members with an update on the outcome of the Redmond Review (the Review) into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.
- 2 The findings of the review included as Appendix 2 were initially reported to the Committee for information at its meeting on 25 September 2020.

Executive Summary

- 3 In June 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting.
- 4 On 8 September 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published the results of his [review](#) which identified the following four key themes for change and made 23 recommendations of which 19 apply to Durham County Council:
 - (a) External Audit Regulation (13 recommendations)
 - (b) Smaller Authorities Audit Regulation (3 recommendations)
 - (c) Financial Resilience of local authorities (2 recommendations)
 - (d) Transparency of Financial Reporting (5 recommendations including 1 that is only applicable to smaller authorities)

- 5 On 17 December 2020 MHCLG published an [initial response](#) to the review grouped into five themes:
- (a) Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
 - (b) Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
 - (c) Enhancing the functioning of local audit and the governance for responding to its findings (recommendations 4, 9, 12, 18)
 - (d) Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)
 - (e) Action to consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)
- 6 MHCLG provided a [further response](#) on 19 May 2021 which clarified its position on a number of the points though some still required further consideration.
- 7 The outcome of the review will have a number of implications for the Council of which the following require consideration:
- (a) A likely increase in audit fees. The report suggests that audit fees are 25% lower than required to fulfil local audit requirements effectively. MHCLG is, however, providing £15 million to principal bodies, both to help support affected bodies to meet the anticipated increase in audit fee costs in 2021/22 and to support with new burdens relating to implementing Redmond's recommendations.
 - (b) Extending for 2 years, the deadline to 30 September for the publication of local authorities' audited accounts to give them more time to address any issues. This will be reviewed at the end of the 2 year period to determine whether there is a continued need to have an extended deadline.
 - (c) The requirement for the external auditor to present an Annual Audit report to the first Full Council meeting after 30th September each year, irrespective of whether the accounts have been certified.
 - (d) Formalisation of the need for the Chief Executive, Monitoring Officer and Chief Financial Officer to meet with the Key Audit Partner at least annually and
 - (a) A new standardised financial statement of service information and costs will form part of the audited statements in 2021/22 and this will be subjected to External Audit.

Recommendation

- 8 It is recommended that Members note the contents of this report.

Background

- 9 In June 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. Whilst conducting the Review his guiding principles 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.
- 10 On 8 September 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published the results of his review which identified the following four key themes for change and made 23 recommendations of which 19 apply to Durham County Council:
 - (a) External Audit Regulation (13 recommendations)
 - (b) Smaller Authorities Audit Regulation (3 recommendations)
 - (c) Financial Resilience of local authorities (2 recommendations)
 - (d) Transparency of Financial Reporting (5 recommendations including 1 that is only applicable to smaller authorities)
- 11 On 17 December 2020 MHCLG published an initial response to the review grouped into the following five themes:
 - (a) Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
 - (b) Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
 - (c) Enhancing the functioning of local audit and the governance for responding to its findings (recommendations 4, 9, 12, 18)
 - (d) Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)
 - (e) Action to consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)
- 12 MHCLG provided a further response in May 2021 which clarified further its position on a number of the points though some still required further consideration.
- 13 A summary of the recommendations of the Review reported and MHCLG responses provided are summarised for information in Appendix 3 with the key actions required to be taken by the Council detailed in the subsequent paragraphs to this report.

Recommendations of the Review that require action to be taken by the Council

Action to support immediate market stability

Recommendation 06

- 14 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.

MHCLG Response

- 15 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.
- 16 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.
- 17 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.

Recommendation 10

- 18 The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year .

MHCLG Response

- 19 Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021.
- 20 At the end of this period we will review whether there is a continued need to have an extended deadline.

Enhancing the functioning of local audit and the governance for responding to its findings

Recommendation 12

- 21 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.
- 22 Formalise the facility for the CEO, Monitoring Officer and Chief Financial Officer to meet with the Key Audit Partner at least annually.

MHCLG Response

- 23 We are 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.
- 24 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.

Improving transparency of local authorities' accounts to the public

Recommendation 19

- 25 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.

Recommendation 21

- 26 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.

MHCLG Response

- 27 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.

Conclusion

- 28 The Redmond Review has provided a mechanism for positive change in strengthening the effectiveness of local audit and the transparency of local authority financial reporting.
- 29 This is welcomed by the Council which will consider its own arrangements to ensure those specific recommendations of the Review that require action to be taken as detailed in paragraphs 14 to 27 above are delivered for inclusion within its Statement of Accounts 2021/22.
- 30 The requirement for the external auditor to present an Annual Audit Report to the first Full Council meeting after 30 September is expected to be introduced in 2022, following a proposed amendment to the Accounts and Audit Regulations. This will be in respect of the 2021/22 annual accounts. It is anticipated that this will be accompanied by a report from the Audit Committee with responses to the audit findings. This would take place at the first meeting of full council after the audit committee has considered the audit findings irrespective of whether the final set of accounts are approved or not.
- 31 It was initially proposed that the new standardised statement of service information and costs would be required to be presented alongside the 2020/21 accounts on a trial basis and would be subject to external audit from the 2021/22 year end. The implementation of this new requirement has been delayed whilst MHCLG work with CIPFA on the optimum format. Once we understand the new reporting requirement, we will inform Members of this Committee.
- 32 Members to be kept informed of further developments following this Review.

Contact: Beverley White Tel: 03000 261900

Appendix 1: Implications

Legal Implications

Preparation of annual accounts in compliance with the Accounts and Audit Regulations 2015 and the latest CIPFA Code of Practice on Local Authority Accounting which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Finance

None

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.

Audit Committee

25 September 2020

Independent Review of Local Authority Financial Reporting and Audit

Ordinary Decision



Report of John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Members with information on the outcome of the Redmond Review (the Review) into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

Executive Summary

- 2 In June 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting.
- 3 His report makes detailed proposals for a new organisation, the Office of Local Audit and Regulation (OLAR), to be created to manage, oversee and regulate local audit.
- 4 He concluded that current arrangements do not allow for the public to understand the accounts and more can be done to improve transparency of what local authorities do. Therefore, authorities will be required to produce a new standardised statement of service information and costs, compared to the annual budget, that is aimed at taxpayers and service users. This will be presented alongside the statutory accounts.
- 5 In addition it was felt that generally there seems to be no real relationship between a local authority's Audit Committees and full Council, with very few reports going to full Council from Audit Committee. In future the external auditor will be required to present an Annual Audit Report to the first Full Council meeting after 30

September, irrespective of whether the accounts have been certified.

- 6 It is considered that the current audit fee structure does not enable auditors to fulfil their role in an entirely satisfactory way and that the cost is 25% lower than it should be; and as such the quality of auditors has reduced. There is concern that auditors do not have the experience or knowledge of local authorities with 40% of audits not being complete by the deadline for 2018/19. The current fee structure for local audit will thus be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- 7 The deadline for publishing audited local authority accounts be revisited with a view to extending it from 31 July to 30 September.
- 8 CIPFA/LASAAC will be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

Recommendation

- 9 It is recommended that Members note the contents of this report.

Background

- 10 In June 2019, Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. Whilst conducting the Review his guiding principles 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.
- 11 His report makes 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. He concluded that current arrangements do not allow for the public to understand the accounts and more can be done to improve transparency of what local authorities do.
- 12 The Review questioned whether the Audit Committees understand the issues to query and challenge in an effective way. Generally, there is a relatively low number of independent Audit Committee members and little communication between Audit Committee and inspectors. There seems to be no real relationship between Audit Committee and Full Council with very few reports going to Council. The Review questioned the role of the three statutory officers in relation to Audit i.e. do they engage with the auditor together on an informal or formal basis. Internal Audit are not used much by External Audit as the code of practice does not require them to, however they could assist.
- 13 He reports that it became clear that the local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. A view that the cost is 25% less than it should be and as a result the quality of auditors has reduced. With 40% of audits failing to meet the required deadline for reporting in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. There is concern they do not have the experience or knowledge of local authorities. In addition, the ambition of attracting new audit firms to the local authority market has not been realised. Without prompt action to implement his recommendations, he reports that there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

- 14 It will be possible to achieve part of what needs to be done without legislation. However, to fully achieve the vision set out in the Review, changes to primary legislation will be essential. Only then does he feel the new organisation be able to do its job and to rebuild the sustainability of the local audit market.

Recommendations of the Review

External Audit Regulation

- 15 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:

- (a) procurement of local audit contracts;
- (b) producing annual reports summarising the state of local audit;
- (c) management of local audit contracts;
- (d) monitoring and review of local audit performance;
- (e) determining the code of local audit practice; and
- (f) regulating the local audit sector.

- 16 The current roles and responsibilities relating to local audit discharged by the:

- (a) Public Sector Audit Appointments (PSAA);
- (b) Institute of Chartered Accountants in England and Wales (ICAEW);
- (c) Financial Reporting Council (FRC)/ Audit, Reporting and Governance Authority (ARGA); and
- (d) The Comptroller and Auditor General (C&AG)

to be transferred to the OLAR. These staff will be TUPED to the new body.

- 17 There will be a Liaison Committee established, chaired by the Ministry of Housing, Communities and Local Government (MHCLG) and comprising FRC, ICAEW, National Audit Office (NAO), CIPFA, Local Government Association (LGA) and authority representatives, as well as Probation, Home Office and Audit Partners. They would meet quarterly and provide a link to the regulator. They would provide a facility for feedback and commentary in how the local audits are done. (This is not a recreation of the Audit Commission). It will consist of between 30 to 35 staff. OLAR could impose sanctions where there are significant

issues in a local authority e.g. If there were financial resilience issues where MHCLG are needed to intervene.

- 18 The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - (a) an annual report being submitted to Full Council by the external auditor;
 - (b) consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - (c) formalising the facility for the 3 statutory officers: Chief Executive Officer, Chief Financial Officer and Monitoring Officer to meet with the External Auditor at least annually.
- 19 All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority. There is a requirement for new s151 officers to receive induction/training on final accounts.
- 20 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.
- 21 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.
- 22 Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
- 23 External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
- 24 The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- 25 The revised deadline for publication of audited local authority accounts be considered in consultation with NHS England and the Department for Health and Social Care, given that audit firms use the same auditors on both Local Government and Health final accounts work.

- 26 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.
- 27 NAO has issued a new Code of Practice on VFM and these will be 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.

Financial Resilience of Local Authorities

- 28 MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority is maintained.
- 29 Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

- 30 A new standardised statement of service information and costs to 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. The standardised statement will be used as a trial basis for the 2020/21 year end and from 2021/22 will be subject to external audit. The new statement will not need to be published. CIPFA is expected to consult on this between September and December.
- 31 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.
- 32 CIPFA/LASAAC will 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, including a review of IFRS as the basis for local authority accounts preparation.

Next Steps

- 33 As part of the final accounts preparations for 2020/21 financial year end, officers will consider any new requirements resulting from the Redmond Review.
- 34 Members to be kept informed of further developments following this Review.

Contact: Beverley White Tel: 03000 261900

Appendix 3: Summary of MHCLG Responses to the Redmond Review provided on 17 December 2020 and 19 May 2021

Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)		
Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	Agree ; we will work with key stakeholders to deliver this recommendation	In progress We are 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.
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.	Agree ; we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work	In progress 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. 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. 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.
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	Part agree ; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required	In progress We are 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. This includes reviewing guidance relating to the entry criteria for key audit partners (KAPs).

Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
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.	Part agree ; we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review	Delivered Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021. At the end of this period we will review whether there is a continued need to have an extended deadline.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.	Agree	Delivered Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021. At the end of this period we will review whether there is a continued need to have an extended deadline
Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)		
Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
1. 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: - procurement of local audit contracts - producing annual reports summarising the state of local audit - management of local audit contracts - monitoring and review of local audit performance - determining the code of local audit practice - regulating the local audit sector	We are considering these recommendations further and will make a full response by spring 2021.	Part accept 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. We accept that this requires a single body to have responsibility for: o Producing annual reports summarising the state of local audit; o Monitoring and review of local audit performance; o Determining the code of local audit practice; and o Regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the: - Public Sector Audit Appointments (PSAA) - Institute of Chartered Accountants in England and Wales (ICAEW) - FRC/ARGA - The Comptroller and Auditor General (C&AG) to be transferred to the OLAR	We are considering these recommendations further and will make a full response by spring 2021.	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. We do not accept that this body should also have responsibility for procurement and management of local audit contracts, and think that these should functions should continue to be undertaken by PSAA. We will work with stakeholders to refine these proposals ahead of a public consultation before summer recess.

Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
3. 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.	We are considering these recommendations further and will make a full response by spring 2021.	Part accept; 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.
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.	We are considering these recommendations further and will make a full response by spring 2021.	Part accept; 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.	We are considering these recommendations further and will make a full response by spring 2021.	Accept; 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.	We are considering these recommendations further and will make a full response by spring 2021.	Accept; 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	MHCLG Response December 2020	MHCLG Update May 2021
4. The governance arrangements within local authorities be reviewed by local councils with the purpose of: <ul style="list-style-type: none"> - an annual report being submitted to Full Council by the external auditor - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee - formalising the facility for the CEO, Monitoring Officer - Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually. 	Agree; we will work with the LGA, NAO and CIPFA to deliver this recommendation	In progress. We are 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. 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.

Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.	Agree; we will work with the NAO and CIPFA to deliver this recommendation	In progress. We are 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. 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
12. 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.	Agree; we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required	In progress. We are 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. 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.
18. 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.	Agree; we will work with other departments and the NAO to deliver this recommendation	In progress. We are 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. 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.
Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)		
Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
19. 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.	Agree; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation	In progress. 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.
20. The standardised statement should be subject to external audit.	Agree; we will work with CIPFA, the LGA and the NAO to deliver recommendation	In progress. 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.

Recommendation	MHCLG Response December 2020	MHCLG Update May 2021
21. 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.	Agree; we will work with the LGA and CIPFA to deliver this recommendation	In progress. 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.
22. 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.	Agree; we will look to CIPFA to deliver this recommendation	In progress. CIPFA/LASAAC has agreed a new Strategic Implementation Plan that includes delivery of this recommendation.