



TO: Audit & Governance Committee

FROM: Director of Finance

DATE: 28th June 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Local Audit Framework: Technical Consultation - Outcome

1. PURPOSE

- 1.1 This report informs the Committee of the outcome of consultation on the Government's Local Audit Framework: Technical Consultation (which was issued in July 2021) which was published in May 2022.

2. RECOMMENDATIONS

- 2.1 The Committee is asked to note this report.

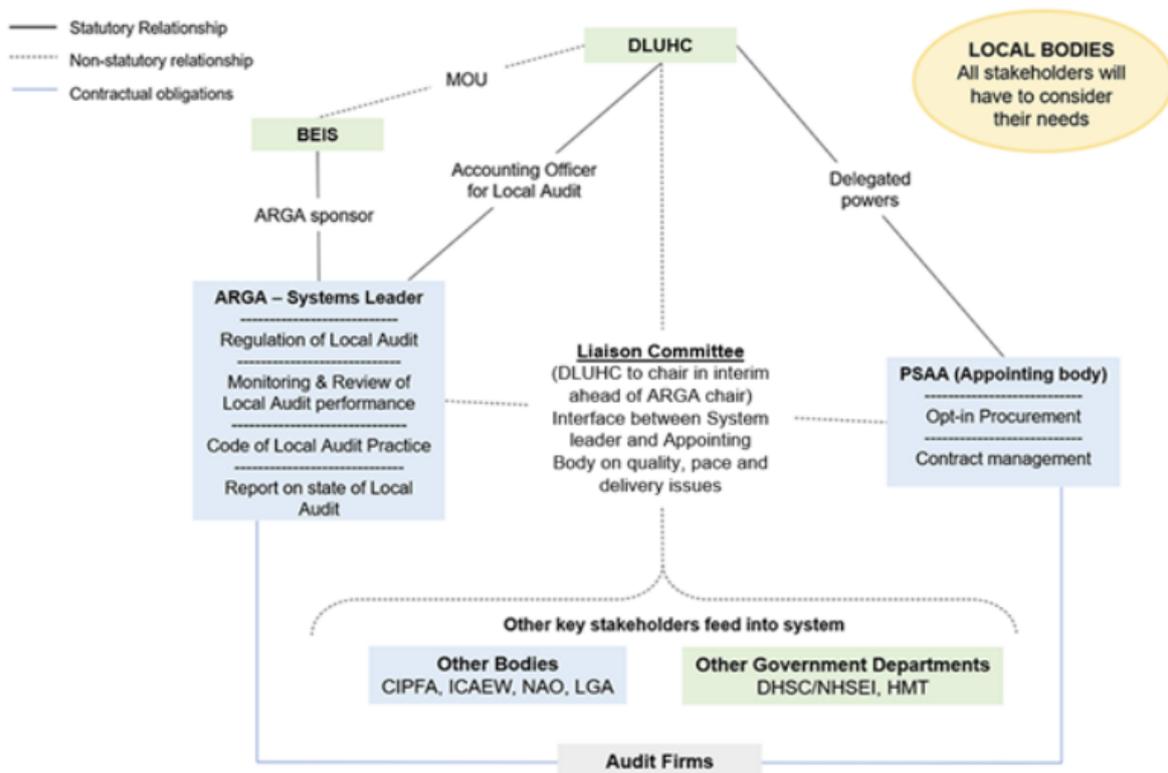
3. BACKGROUND

- 3.1 The Local Audit and Accountability Act 2014 created a locally-led audit framework giving Councils the power to appoint their own auditors while also delivering a savings. Despite this, the local audit system has faced growing issues of timeliness and wider market instability.
- 3.2 For these reasons, in 2019 the Government commissioned Sir Tony Redmond to conduct an independent review of the local audit framework. In September 2020, The Redmond Review – '*An Independent Review onto the Oversight of Local Audit and the Transparency of Local Authority Financial Report*' – was issued setting out 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts.
- 3.3 The Government provided an initial response to the Redmond Review in December 2020. In the main, the Government accepted the recommendations of the Redmond Review. In July 2021, the Government launched a consultation on the broad implementation of the proposals. The consultation closed in September 2021 and the Government's response to the outcome of the consultation was published in May 2022.

4. KEY ISSUES

Audit System Leadership

- 4.1 The consultation concerned a broad range of matters, the majority of which related to the creation, governance and operation of a new body (the Audit, Reporting and Governance Authority (ARGA)) that will provide system leadership for local audit. Much of this is not of relevance to the Council but nevertheless set out below is a brief overview of the ARGA.
- 4.2 ARGA will work with organisations and sector representatives to resolve or issue direction on issues facing the local audit system, as well as working as a broader advocate. ARGA's position in the system of local audit is illustrated in the diagram below:-



- 4.3 In particular, ARGA will have an overarching responsibility for the local audit quality framework. In addition to this, ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice and associated guidance notes (current the role of the National Audit Office) and it will also conduct a post implementation review of the new value for money narrative requirement introduced in the 2020 Code of Practice.

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

- 4.4 A key part of the consultation directly affecting local authorities were proposals relating to Audit Committees.

4.5 In response to strong support for strengthened guidance on Audit Committees, CIPFA has published an updated Position Statement and supporting guidance on Audit Committees. A report on this is provided elsewhere on the Agenda for this meeting. The key outcome is that the Government will mandate that Councils must have an Audit Committee with at least one independent member.

4.6 The Council is well placed on this matter. The Audit and Governance Committee has, for some time, discharged the responsibilities of an Audit Committee (as demonstrated by the Council's compliance with CIPFA Statement on Audit Committees) and, as outlined at the previous meeting of this Committee, the Council will be asked at its meeting in July to agree to co-opt two independent (non-voting) members onto the Committee.

4.7 The Government also noted the importance of training for Audit Committee Members. To support capability, the Government is to provide funding via the Local Government Association for targeted training events for Audit Committee Chairs and Members. Once more details of these are known, these will be shared with Committee Members in due course.

5. POLICY IMPLICATIONS

5.1 There are no policy implications arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising directly from this report.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS

8.1 There are no other resources implications arising from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

9.1 There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

10.1 None arising from the contents of this report.

11. STATEMENT OF COMPLIANCE

11.1 The recommendation in this report is made further to advice from the Monitoring Officer.

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	June 2022
BACKGROUND PAPERS:	