

# Report to Audit Committee

Agenda  
Item:

**A.9**

Meeting Date: 15 March 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework: Yes  
Public / Private: Public

Title: THE REDMOND REVIEW  
Report of: Corporate Director of Finance and Resources.  
Report Number: RD63/20

## Purpose / Summary:

This report provides the Audit Committee with an update on the outcomes of the Redmond Review on Local Audit and the Transparency of Local Authority Financial Reporting. The report also addresses the response of the MHCLG to the review and what the next steps will be and how the review and recommendations made will impact on the Council.

## Recommendations:

The Audit Committee is asked:

- (i) to note the outcome of the Redmond Review and the responses of MHCLG, and
- (ii) to note the Council's response to the consultation on amendments to the Accounts and Audit Regulations 2015 shown at Appendix B.

## Tracking

|                        |                                   |
|------------------------|-----------------------------------|
| Audit Committee        | <b>15<sup>th</sup> March 2021</b> |
| Overview and Scrutiny: | <b>Not applicable</b>             |
| Council:               | <b>Not applicable</b>             |

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None**

## **1. BACKGROUND**

- 1.1 In 2019, Sir Tony Redmond was asked by the Secretary of State for Housing, Communities and Local Government to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting.
- 1.2 The review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand the financial information and receive appropriate assurance that the finances of the authority are sound.

## **2. THE REVIEW OUTCOMES**

- 2.1 The final review was published on 8 September 2020 and included 23 recommendations that related to:
- External Audit Regulation
  - Smaller Authorities Audit Regulation
  - Financial Resilience of local authorities
  - Transparency of Financial Reporting
- 2.2 The review offered the opportunity for affected stakeholders to express their views and in total 156 responses were made.
- 2.3 The review raised serious concerns about the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms; however it was not suggested that the audits were carried out unprofessionally, more a concern about the balance of price and quality. This was also supported by the views made that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way; therefore, an increase in fees should be considered.
- 2.4 Since the externalisation of the Audit Commission, audit fees have seen a significant reduction (the review refers to a 42.25% decrease in cash terms since 2015). For the Council, the statutory audit fees have been as follows:

| <b>Audit Year</b> | <b>External Auditor</b> | <b>Audit Fee</b> |
|-------------------|-------------------------|------------------|
| 2010/11           | Audit Commission        | £122,074         |
|                   |                         |                  |
| 2015/16           | Grant Thornton          | £53,766          |
| 2016/17           | Grant Thornton          | £53,339          |
| 2017/18           | Grant Thornton          | £45,419          |
| 2018/19           | Grant Thornton          | £41,034          |

- 2.5 The Redmond Review concludes that evidence suggests fees are at least 25% lower than is required for firms to adequately resource local audit requirements.
- 2.6 The review highlighted that 40% of audits did not meet the required statutory deadline (31 July) in 2018/19 and that this signals a serious weakness in the ability of auditors to comply with their contractual obligations. Responses to the review were heavily in favour of a revised date of 30 September and although this has been accepted by MHCLG for the next two years (subject to consultation – See Appendix B), further considerations will be needed to address the underlying issues.
- 2.7 The review identified that an underlying feature of the existing framework was the absence of a body to coordinate all stages of the audit process. Therefore, a key recommendation made was to see the creation of a new regulatory body that would have responsibility for procurement, contract management, regulation and oversight of local audit. However, the MHCLG, in their response, are not persuaded that a new arms-length body is required and believes that this would mark a significant departure from the 2014 Act. They do, however, remain committed to a locally-led audit regime which enables genuine local accountability by residents and taxpayers. They have stated they “do not wish to recreate the costly, bureaucratic and over-centralised Audit Commission” and will therefore consider alternative options.
- 2.8 There was found to be merit in examining the composition of Audit Committees to ensure that the required knowledge and expertise are always present when considering reports. The review also recommends that the annual audit report be submitted to Full Council irrespective of where the accounts are authorised.
- 2.9 The review also identified that there was a lack of transparency and understanding of the current statutory accounts prepared by local authorities, indeed they were deemed to be ‘impenetrable’ to the public. There was therefore a recommendation

that a simplified 'Statement of Service Information and Costs' be prepared that will allow easy comparison with the annual budget and council tax set for the year. This new statement would be in addition to the statutory accounts which could also be simplified. This move to prepare a simplified 1-2-page standard statement of service is accepted by MHCLG with a view to rolling statements out for the 2021/22 accounts. CIPFA will also consider the scope for simplifying the accounts by removing disclosures in a phased approach from 2022/23 accounts.

- 2.10 The review report acknowledges that implementation of the recommendations would, in part, require regulatory or legislative change.
- 2.11 Details of the recommendations that have a direct impact on the Council are set out below. A full list of recommendations from the Redmond Review including those that do not impact directly are outlined at **Appendix A**. The responses from the MHCLG are also included alongside each recommendation.

### **3 RECOMMENDATIONS IMPACTING THE COUNCIL DIRECTLY**

- 3.1 The following recommendations of the Redmond Review will directly impact the Council:

#### **3.1.1 Recommendation 4 and 12**

*(4) The governance arrangements within local authorities be reviewed by local councils with the purpose of:*

- *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; and*
- *formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.*

*(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.*

At present the Annual Audit Findings Report is considered by the Audit Committee who have the approval to sign off the Statement of Accounts. With the implementation of this recommendation, the report could still be considered by the Audit Committee in signing off the accounts but there would need to be a recommendation to Full Council for consideration of the contents of the Audit

Findings Report If the deadline for completion of the audit moves to 30 September, this would have to happen at the Council meeting in November.

The appointment of an independent non-elected member of the Audit Committee is already included in the CIPFA publication “Audit Committees – practical guide for local authorities and police 2018”. The Redmond Review refers to an independent non-elected member that is ‘suitably qualified’ but does not define the criteria to be used. The review also recognises that in some geographical areas attracting independent, non-elected members with relevant technical knowledge may be a challenge.

#### MHCLG Response

The department strongly agrees with an annual audit report being presented to a Full Council Meeting, irrespective of whether the accounts have been certified. They also fully agree with the other strands of recommendation 4 and will work to ensure that, where appropriate, new guidance is issued which addresses the recommendations relating to meetings between chief officers and the external auditor and the appointment of an independent member(s) to audit committees.

### **3.1.2 Recommendation 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.*

As has previously been mentioned in paragraph 2.4, there has been a significant reduction in the level of audit fee the Council has paid over the past ten-years. The review has highlighted the need for a potential 25% increase in scale fees in order to provider auditors with an adequately resourced and skilled team with which to deliver a robust audit process. For 2019/20, the Council has already been advised that there will be an additional fee for the extra work needed to be carried out.

#### MHCLG Response

MHCLG, in their response will, subject to consultation, review and reform regulations to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met. They have further acknowledged that fees will need to increase and, recognising that this will place greater pressure on local authorities budgets, will provide local authorities with £15m additional funding in 2021/22 to support them in meeting the anticipated increase in fees and to meet the new burdens on councils as a result of the new reporting requirements.

They will consult in the new year on how best to amend existing regulations with a view to having revised regulations in place before the 2021 summer recess.

### **3.1.3 Recommendation 9**

*External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.*

Although there are no formal meetings between Internal and External audit, the external auditor receives sight of the work and plan of internal audit through the Audit Committee papers.

#### MHCLG Response

The department agrees that the sharing of information with external auditors should be strengthened where possible, within existing frameworks, between external and internal audit.

### **3.1.4 Recommendation 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.*

This recommendation will see the time period for completing and publishing the accounts pushed back to the end of September and will extend the period of audit to 4-months. There is nothing in the review that would propose to move the publication of the draft accounts back from 31 May, however, the recent MHCLG consultation on amending the Accounts and Audit Regulations (2015) does include proposals to ensure that the accounts are published no later than 31 July.

Although not referred to specifically in recommendation 10, in the report and presentations around this, two issues were raised in terms of:

- **New s151 officers** – this was focused around induction and training for new s151 officers, particularly around the accounts. The Council's s151 Officer is experienced and is well versed in the production of the accounts
- **Technical expertise to produce the accounts** – this was focused around appropriate accounting staff with the technical expertise to produce the accounts without significant guidance and support from external audit.

### MHCLG Response

The department agrees with this recommendation. However, the department also note that there is a balance to be struck with ensuring that potential accounting risks can be surfaced and shared promptly so that appropriate and timely mitigating action can be undertaken. Therefore, subject to a consultation process, the department intends to amend regulations to extend the deadline for publishing audited local authority accounts to 30 September for a period of two years. At the end of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.

MHCLG issued their consultation on 9 February asking for comments to three questions around amending the dates for the 2020/21 accounts process. The Council responded to the consultation on 1 March and the response is shown at **Appendix B**.

#### **3.1.5 Recommendation 17**

*MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.*

The new NAO Code of Audit Practice for England for 2020/21 onwards has set out three reporting criteria for the Value For Money Conclusion:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness

The new code requires a narrative VFM opinion rather than a single qualified or unqualified statement.

### MHCLG Response

The department will consider what reporting they would expect to receive and how that could inform and strengthen their framework for seeking assurance that financial sustainability in each local authority in England is maintained. They particularly note the potential value in the regular production of analysis highlighting trends in local audit findings across England.

#### **3.1.6 Recommendation 19, 20 and 21**

*(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.*

*(20) The standardised statement should be subject to external audit.*

*(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.*

The implementation of a standardised statement of service and costs will assist the service users and taxpayers in linking the budget and council tax to how the council has performed financially for the year. This statement would be included in a set of Summary Accounts. The full Statement of Accounts are cumbersome and follow statutory requirements and unless technically versed in Local Government Finance are difficult to follow and understand. Therefore, a summary statement of service and costs will allow interested parties to easily see the financial performance of the Council.

It is proposed that this standard statement be produced and audited from 2021/22.

#### MHCLG Response

The department agrees with the recommendations that all local authorities be required to prepare an audited standardised statement of service information and costs. These should be short and accessible, for example one or two pages. Standardised statements should be communicated to all taxpayers and service users, and they will explore how this can be done, for example, alongside or with council tax bills from 2022. The department will work closely with CIPFA as they lead in the development and consultation with local government to produce a product, with a view to rolling statements out in 2021/22. Changes to regulations to mandate the inclusion of the statement alongside the accounts will also be considered. As mentioned at paragraph 3.1.2 funding will be provided to enable local authorities to prepare the standardised statements. And finally, the department agrees that this is an opportunity to consider whether there is scope to simplify the presentation of the accounts by removing disclosures that may no longer be necessary – possibly through the 2022/23 Accounting Code of Practice.

#### **4. CONSULTATION**

None



**5. CONCLUSION AND RECOMMENDATION**

- 5.1 The Audit Committee is asked to note the outcome of the Redmond Review and the response of MHCLG.

**6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 6.1 Sound financial management is a core underpinning of all the priorities of the Council.

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**Appendices**  
**Appendix A – Redmond Review Recommendations & MHCLG Response**  
**Appendix B – Council Response to Consultation to amend Accounts and Audit Regulations 2015**

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

**CORPORATE IMPLICATIONS:**

**Legal –**

**Finance –** Contained within the report

**Equality –** None

**Information Governance –** There are no information governance implications with this report

**Property Services -** None

## **APPENDIX A – REDMOND REVIEW RECOMMENDATIONS & MHCLG RESPONSE**

| No.                              | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council  |
|----------------------------------|---|------------------------------|--|
| <b>External Audit Regulation</b> |   |                              |  |
| 1                                | <p>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>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b></p> | No                           | <p>This will not have any direct impact on the Council as it is mainly related to regulating and overseeing local audit.</p> <p>The only implication for the Council would be around how its external auditor is procured. Although the Council can procure its own external auditor, like 98% of local authorities the Council chose to have PSAA Limited as the body who appointed its auditors.</p> |
| 2                                | <p>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> </ul>  | No                           | As above.  |

| No. | Recommendation   | Direct Impact on the Council | Current arrangements / Implications for the Council   |
|-----|--|------------------------------|---|
|     | <ul style="list-style-type: none"> <li>The Comptroller and Auditor General (C&amp;AG) to be transferred to the OLAR.</li> </ul> <p><b>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b></p>  |                              |   |
| 3   | <p>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>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b></p>   | No                           | No direct impact on the Council although the output will be useful intelligence of whether local audit market and audit quality is improving.   |
| 4   | <p>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>MHCLG response: Agree, we will work with the LGA, NAO</b></p> | Yes                          | <p>The Council's current arrangements are:</p> <ul style="list-style-type: none"> <li>The Annual Audit Letter (public facing summary of audit work and findings that year) is currently only presented to the Audit Committee.</li> <li>There are no independent, non-elected members, on the Audit Committee.</li> <li>The external auditor's (Grant Thornton) currently meet the Chief Executive and Corporate Director of Finance and Resources separately.</li> </ul> |

| No. | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council   |
|-----|---|------------------------------|---|
|     | and CIPFA to deliver this recommendation  |                              |   |
| 5   | <p>All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.</p> <p><b>MHCLG response: Agree, we will work with key stakeholders to deliver this recommendation</b></p>  | No                           | This is a matter for the external audit firms to address in terms of training and experience, but likely to be part of the justification for increased audit fees.  |
| 6   | <p>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.</p> <p><b>MHCLG response: Agree, we will look to revise regulations to enable PSAA to set fee that better reflect the cost to audit firms of undertaking additional work</b></p>                                    | Yes                          | This will have a financial impact on the Council and although this recommendation does not give a percentage increase the report says audit fees are at least 25% lower than required to fulfil current local audit requirements effectively. |
| 7   | <p>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.</p> <p><b>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b></p> | No                           | This relates to OLAR (proposed new body) and the individual audit firms.  |

| No. | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council   |
|-----|---|------------------------------|---|
| 8   | <p>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>MHCLG response: Part agree, we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required</b></p>              | No                           | This will relate to the current audit firms and those trying to enter the local audit work market.  |
| 9   | <p>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>MHCLG response: Agree, we will work with the NAO and CIPFA to deliver this recommendation</b></p>   | Yes                          | Currently meetings, and exchange of information, between Internal Audit and external audit are ad-hoc and relate to specific issues as they arise.                                |
| 10  | <p>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>MHCLG response: Part agree, we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review</b></p> | Yes                          | This will impact on the Council in terms of the date for publishing its audited accounts. It will also mean that the Audit Committee meeting at the end of July could be removed. |
| 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  | No                           | This relates to the external audit accounts deadline and will be linked to recommendation 10. It should be noted that the NHS accounts are produced to a much                     |

| No. | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council  |
|-----|---|------------------------------|--|
|     | Local Government and Health final accounts work.<br><b>MHCLG response: Agree</b>  |                              | tighter timescale, and already audited before local authority accounts.  |
| 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.<br><b>MHCLG response: 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</b> | Yes                          | As outlined in the response to recommendation 4 the Annual Audit Letter (public facing summary of audit work and findings that year) is presented to the Audit Committee.<br><br>The Annual Audit Report would likely go to the November meeting as this is the first full Council meeting after the 30 September audited accounts publication deadline. |
| 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.<br><b>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b>                                      | No                           | This relates to an action for OLAR (proposed new body).  |

| No.   | Recommendation   | Direct Impact on the Council | Current arrangements / Implications for the Council |
|---|--|------------------------------|---|
| <b>Smaller Authorities Audit Regulation</b> |  |                              |   |
| 14  | <p>SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.</p> <p><b>MHCLG response: Agree, we will look to SAAA to deliver this recommendation</b></p> | No                           | Not applicable.                                     |
| 15  | <p>SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.</p> <p><b>MHCLG response: We are considering this recommendation further and will make a full response by spring 2021</b></p>   | No                           | Not applicable.                                     |
| 16  | <p>SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.</p> <p><b>MHCLG response: Agree, we will look to SAAA to deliver this recommendation</b></p>  | No                           | Not applicable.                                     |

| No.  | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council   |
|--|---|------------------------------|---|
| <b>Financial Resilience of local authorities</b> |   |                              |   |
| 17   | <p>MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p> <p><b>MHCLG response: We are considering these recommendations further and will make a full response by spring 2021</b></p>  | Yes                          | <p>This is an action for MHCLG. However, the new NAO Code of Audit Practice for England for 2020/21 onwards has three reporting criteria for the value for money conclusion, Financial sustainability, Governance and Improving economy, efficiency and effectiveness. This will increase the focus on all three areas and likely to have a significant impact on the evidence required by the external auditor and the impact on officer time.</p> |
| 18   | <p>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>MHCLG response: Agree, we will work with other departments and the NAO to deliver this recommendation</b></p> | No                           | <p>This is very similar to the 'Roundtable' meetings introduced by the Audit Commission, some 15+ years ago, where the external auditor and inspectors met to share information and views on a council.</p>   |



| No.  | Recommendation   | Direct Impact on the Council | Current arrangements / Implications for the Council  |
|--|--|------------------------------|--|
| <b>Transparency of Financial Reporting</b> |  |                              |  |
| 19   | <p>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>MHCLG response: Agree, we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation</b></p> | Yes                          | This will require summary accounts to be produced by the Council. The examples given in the Redmond Review report suggest that summary accounts would be 10+ pages long. |
| 20   | <p>The standardised statement should be subject to external audit.</p> <p><b>MHCLG response: Agree, we will work with CIPFA, the LGA and the NAO to deliver this recommendation</b></p>  | Yes                          | This will require additional external audit work potentially an increase in the external audit fee to be paid by the Council.  |
| 21   | <p>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>MHCLG response: Agree, we will work with the LGA and CIPFA to deliver this recommendation</b></p>  | Yes                          | The Council would need to decide how best to communicate such information to council taxpayers / service users.  |

| No. | Recommendation  | Direct Impact on the Council | Current arrangements / Implications for the Council  |
|-----|---|------------------------------|--|
| 22  | <p>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>MHCLG response: Agree, we will work with CIPFA to deliver this recommendation</b></p>   | No                           | This is an action for CIPFA / LASAAC. The ability to simplify local authority accounts represents a significant challenge. |
| 23  | <p>JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:</p> <ul style="list-style-type: none"> <li>• Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;</li> <li>• Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and</li> <li>• Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.</li> </ul> <p><b>MHCLG response: Agree, we will work with JPAG to deliver this recommendation</b></p> | No                           | Not applicable.  |



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## Finance and Resources Directorate Financial Services

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Max Soule  
Local Government Stewardship  
MHCLG

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Your ref:  
Our ref:

1 March 2021

Dear Max

### **CONSULTATION ON AMENDMENTS TO THE ACCOUNTS AND AUDIT REGULATIONS 2015**

Further to your letter of 9 February, please see the responses to the consultation from Carlisle City Council.

#### **Q1. Do you have any comments about the deadlines proposed?**

The Council is generally supportive of the proposed change to the deadline for publishing audited local authority accounts to 30 September as this will ensure that the audit process is robust and thorough and captures the necessary detail required to provide assurances.

However, we believe that by extending the period for the audit process by 2-months that this will have a detrimental impact on resources within the Council's finance function through more queries and time taken up in dealing with auditors when this time is usually taken to begin preparation for budget cycles. Extending the period of audit to 4-months (from end of May to end of September) also gives the auditors a disproportionate amount of time to complete the audit when compared to the time taken to prepare the accounts (2-months from April to end of May).

We therefore welcome that this consultation proposes that the draft accounts be published on or before 1 August and assume that this then means the publication date for the draft accounts is proposed to be 31 July.

**Q2. Do you have any comments about the proposal to include a requirement to publicise the reasons why, in exceptional circumstances, the draft accounts have not been published?**

The requirement to publish a notice if the Council fails to meet a deadline of 1 August for the period of public inspection is supported by the Council.

**Q3. We would also welcome any more general comments on the proposals, including any comments relating to equalities impact or any potential for unintended consequences of any of the amendments proposed.**

We are generally supportive of the proposed changes and especially so as there are added pressures due to COVID at this time. However, we feel that having the accounts completed and audited before the summer provides an efficient and effective way to finalise the previous year's activity before moving onto budget and medium-term financial planning activities.

Yours sincerely

**A Taylor**

Corporate Director of Finance and Resources (S.151)