

Audit quality of councils will face examination in new independent review

A review into the quality of local authority audits and whether they are spotting warning signs early enough, was today (10 July 2019) launched by Communities Secretary Rt Hon James Brokenshire MP.

The major work will examine the effectiveness of local authority financial reporting and audit regime.

In a speech at the Chartered Institute of Public Finance and Accountancy's (CIPFA's) annual conference Public Finance Live, the Communities Secretary is expected to say there are far reaching consequences when audits aren't carried out properly.

Announcing the review, the Communities Secretary Rt Hon James Brokenshire MP is expected to say:

A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but also service delivery and, ultimately, our faith in local democracy.

There are potentially far-reaching consequences when audits aren't carried out properly and they fail to detect significant problems.

I am delighted Sir Tony Redmond will be leading this work and I await his report towards the end of this year.

Local authorities in England are responsible for 22% of total UK public sector expenditure so the way local authorities report their accounts must be of the highest level of transparency and quality. The review will also look at how councils publish their annual accounts and if their financial reporting system is sufficiently transparent to be held to account.

The review will be led by the former President of the Chartered Institute of Public Finance Sir Tony Redmond. Sir Tony is a former local authority Treasurer and Chief Executive. He has also worked as a Local Government Boundary Commissioner and held the post of Local Government Ombudsman, along with a number of non-executive positions in the public and third sectors.

During his speech, the Communities Secretary will confirm the review will look at the quality of the audit of local authorities, whether auditors are using their reporting powers correctly and if councils are heeding recommendations to help improve the financial management of their accounts.

The review will also look at whether there is an 'expectation gap' between what taxpayers believe an audit will deliver, and what it can in reality

deliver.

Sir Tony Redmond is expected to report to the Communities Secretary with his initial recommendations in December 2019, with a final report published in March 2020.

Read the full [terms of reference](#) of the review.

The review of financial reporting and external audit follows the full implementation of the [Local Audit and Accountability Act of 2014](#).

The responsibilities for local authority audits and how they are conducted is set down within the Local Audit and Accountability Act 2014.

The 2014 Act gave effect to manifesto commitments to abolish the Audit Commission and its centralised performance and inspection regimes and put in place a new localised audit regime, refocussing local accountability on improved transparency.

Now the Act has been fully implemented, the government is required to review its effectiveness. This review will meet the Ministry of Housing, Communities and Local Government's commitment to undertake a post implementation review of the audit framework and financial reporting elements of the Act.