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# Local Government audit and financial reporting – the Redmond Review

Grant Thornton  
December 2019



# The Redmond Review

## Scope

- Launched on 17 September 2019
- Call for Views by 20 December (extended from 22 Nov)
- Led by Sir Tony Redmond, former President of CIPFA

## Purpose – to assess

- Effectiveness of audit in local authorities
- Transparency of financial reporting



# The Redmond Review

## Call for Evidence

- The Expectations Gap
- Audit and Wider Assurance
- Audit Quality
- The Financial Reporting framework
- Auditor Reporting

Report to Secretary of State extended to Summer 2020



# A call for Evidence

## What will we be saying in our response?



# Local government has changed

## Longer more complex accounts, lower fees

### The changing face of local government financial reporting – Birmingham City Council

	2008/09	2018/19
Auditor	Audit Commission	Grant Thornton
Length of financial statements (excluding opinion)	91 pages	219 pages
Length of audit opinion	3 pages	12 pages
Date opinion signed	Feb 2010 (11 months after year end)	September 2019 (6 months after year end)
Scale fee for audit opinion	£700,000	£241,000
Audit fee – grant claims	£300,000	£100,000



# Peak work: Nearly half our work on local government accounts is in a two month window

Time of year	Work completed (nationally)
June – July	47%
Rest of the year	53%



# Challenges of recruitment and retention

Of the 80 people who TUPE transferred to GT London in 2012 , the great majority have left the profession

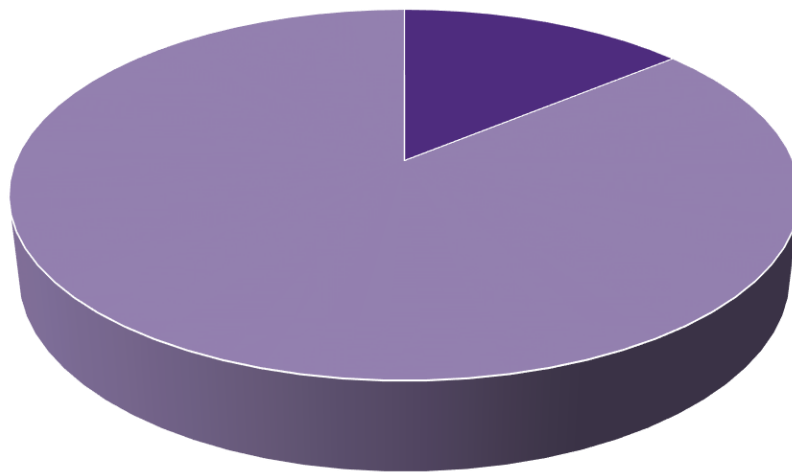


- Still in GT local audit
- Local Government or NHS
- Local audit - working for another firm
- Retired
- Central government or Not for Profit
- Other employment



# Challenges of recruitment and retention

Of 57 fee earners that joined the GT South West public sector team in 2012, only 8 remain



■ Still at GT ■ Left the firm



# Who audits the auditor?

	2012	2020
<b>Regulatory / supervisory body</b>	Audit Commission	FRC/ ICAEW
<b>Number of external inspections per annum</b>	5	15
<b>Public Reporting at audit level</b>	No	Yes
<b>Potential sanction</b>	Recommendation to Head of Audit	Fine of individual and firm



# Change in audits signed over past three years

Year	Target date	% opinions signed (all firms)
2016/17	30 Sep	95%
2017/18	31 July	80%
2018/19	31 July	58%



# Contributory factors to delays in sign off (GT 2018/19)

Factor	%
Poor working papers	18
Authority resource constraints	12
Complex technical issues	46
Audit resource constraints	18
Other	6



# Our response to Sir Tony Redmond

## Key messages we will be highlighting in our response

- Local audit is facing an unprecedented set of challenges
  - Accounts have grown far more complex
  - Authorities are engaging in more innovative / unusual transactions
  - Austerity has reduced the ability of many authorities to prepare high quality accounts and working papers
  - Audit fees have fallen to an unsustainably low level
  - The sign off date of 31 July is too tight
  - Retention of key people is very difficult in this environment
  - Authorities are not getting the service they deserve
  - Radical and urgent reform is needed!



# Our prescription

## Actions

- A 'system wide' solution is needed. This should include:
  - The establishment of a separate regulator for local audit
  - Rebasing of audit fees to a level which reflects the additional work we are now undertaking
  - A simplified CIPFA Code/ tiered approach
  - A revised approach to Value for Money
    - Replacement of the conclusion with a narrative report, at a different time of year
    - A focus on governance, financial sustainability and the three 'E's
  - Move the target publication date for LG accounts back to 30 September



**We believe the Redmond review provides a once in a generation chance to influence local audit and financial reporting for the better. If you agree, please join us in responding to Sir Tony Redmond by 20 December.**



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