

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Finance & Audit Committee

**Date:** 10 September 2019

**Reporting officer:** Sarah Parfitt - Assistant Director (Corporate Services)

**Subject:** Independent Review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England

### **Purpose and summary of report:**

To inform Members of the independent review announced in July 2019 focusing on the transparency and quality of local authority audits.

### **Recommendations:**

1. This report is for information only.

## **1. Background**

- 1.1 The Local Audit and Accountability Act 2014 led to the closure of the Audit Commission on 31 March 2015, replacing it with a new local framework for the audit of local government and certain NHS bodies that enabled these bodies to appoint their own auditors. Under these new arrangements, Gravesham Borough Council opted into a sector-led approach delivered by Public Sector Audit Appointments (PSAA) to appoint the council's external auditor for a period of five years from 1 April 2018. Following a competitive process, Grant Thornton LLP was appointed as the council's auditor for that period.
- 1.2 The Accounts and Audit Regulations 2015 place a responsibility on the council to ensure that its financial management arrangements are adequate and effective, and that it has robust accounting control systems in place. The regulations also place a requirement on the council to prepare, in accordance with proper practice, a statement of accounts for each year.

## **2. Independent Review**

- 2.1 On 10 July 2019 James Brokenshire, the then Secretary of State for the Ministry of Housing, Communities and Local Government announced that Government would be instructing an independent review to examine local authority financial reporting and auditing. The review will be led by the former President of the Chartered Institute of Public Finance & Accountancy (CIPFA), Sir Tony Redmond.
- 2.2 In announcing the review, Mr Brokenshire recognised the importance of a robust local audit system in reinforcing confidence in financial reporting through the provision of assurance and accountability to the public, as well as being a means to help prevent financial and governance failure and promote faith in local democracy. The full terms of reference for the review are set out at appendix two to this report, with the review intended to determine:
- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
  - Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
  - Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account.
- 2.3 The review will make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest. Initial recommendations from the review are expected to be reported to the Communities Secretary in December 2019, with a final report published in March 2020.
- 2.4 It is proposed that updates on the progress of the review and its recommendations will be provided to the Finance & Audit Committee as information becomes available.

## **3. BACKGROUND PAPERS**

- 3.1 There are no background papers pertaining to this report.

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
<b>Legal</b>	N/A - this report is for information only.
<b>Finance and Value for Money</b>	N/A
<b>Risk Assessment</b>	N/A
<b>Data Protection Impact Assessment</b>	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? A definition of each type of data can be found on the Information Commissioner’s Office website via the above links.</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>. N/A</p>
<b>Equality Impact Assessment</b>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. N/A</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<b>Corporate Plan</b>	N/A
<b>Crime and Disorder</b>	N/A
<b>Digital and website implications</b>	N/A
<b>Safeguarding children and vulnerable adults</b>	N/A