

# External Audit Reform

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# 'Crisis' in confidence in audit



**Regulators, Stakeholders, Government, Media, all want to see change**

# The UK review programme – corporate audit



Prem Sikka report  
Kingman final report  
CMA interim findings  
Donald Brydon announced as  
Chair of 'Project Flora'



BEIS  
Select committee



CMA  
final report



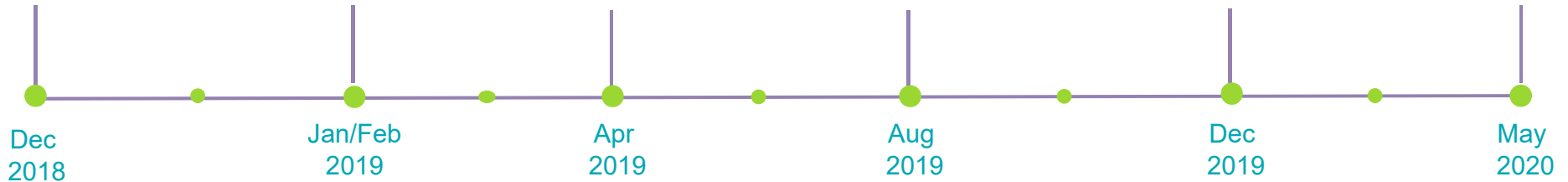
BEIS consultation on  
CMA  
FRC consults on ethical  
standards and ISAs  
Preparations for ARGAs



Brydon  
review complete



Window for  
Legislation starts



*But change is already happening*

# In the public sector ...

## What did the Audit Commission ever do for us?

- Delivered audits
- Set the Code of Audit Practice
- Set fees
- Mandated work
- Regulated quality



# Local Authority audit in a Pickle(s)

Abolition of the Audit Commission

August 2010

Outsourcing the Commission's audit practice

February 2012 –  
October 2012

Local Audit and Accountability Act (LAAA)

2014

Transitional arrangements needed as Audit Commission closes and Public Sector Audit Appointments Ltd (PSAA) created by LGA

May 2015

Transitional arrangements apply

2015-2019

Appointed Person's Regulations

2015

Full impact of LAAA

Summer 2019

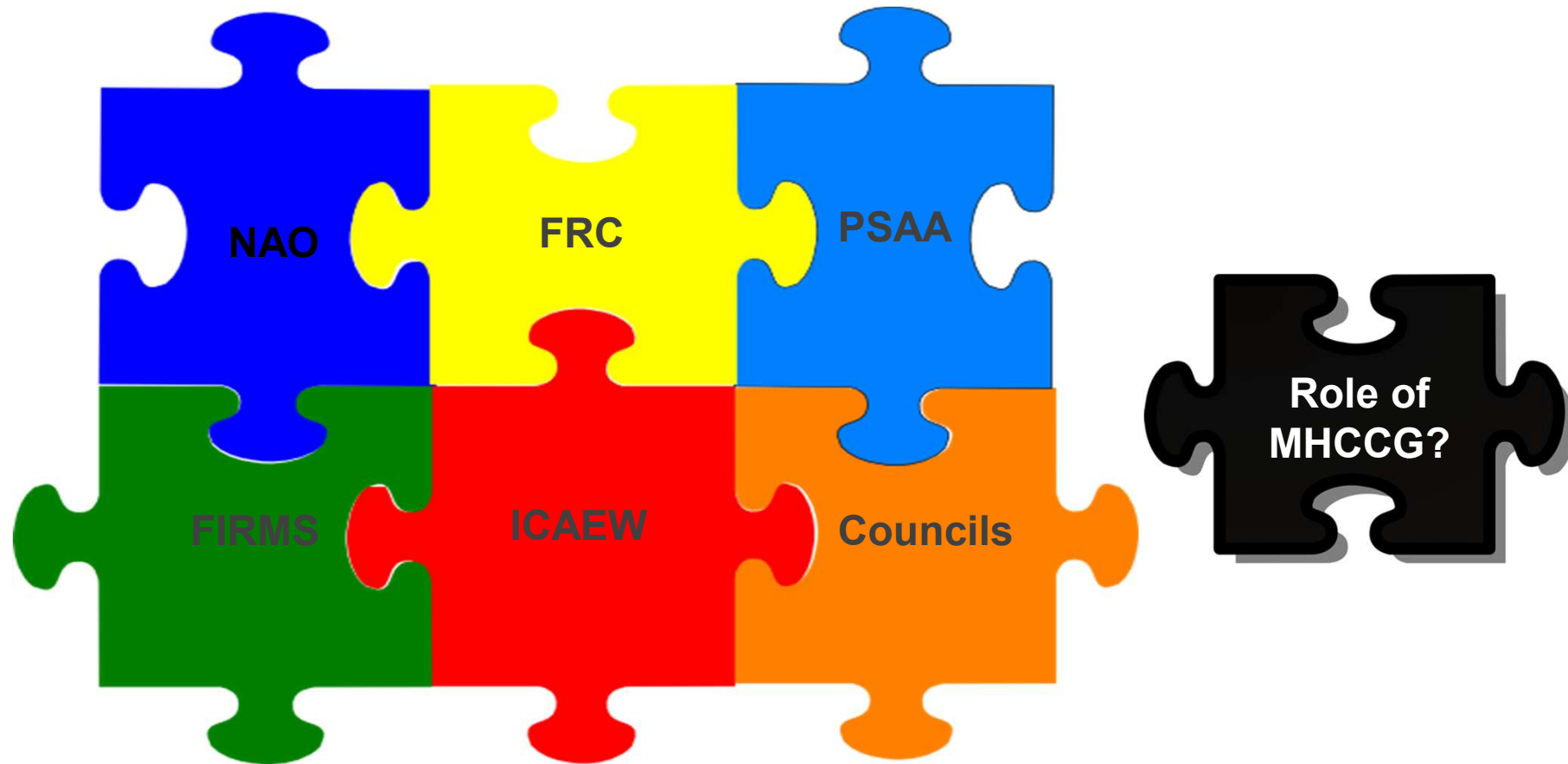
# Early close

## Accounts and Audit Regulations

Draft Accounts	30 June	→	31 May
Published Accounts	30 September	→	31 July
Audited Accounts <u>target</u>	30 September	→	31 July

Full effect from Summer 2018

# Responsibilities under the Act



# 2019 Summer of discontent

- Over 40% audits not signed at 31 July
- More work = fee variations
- Accounts preparation and quality slippage
- Retention of audit teams under strain

**The position is not sustainable**



# Redmond to the rescue

*“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”.*

James Brokenshire

**Review to cover: reporting, governance, audit quality and scope. Focus on users and sustainability.**

# If I had a magic wand ...

- ✓ Simplify accounts
- ✓ Redesign VFM audit
- ✓ De-couple accounts and VFM work
- ✓ Agree delivery plan up to 30 September
- ✓ Appropriate not excessive fees
- ✓ Clarify system leadership
- ✓ Tailored regulation



# Redmond – are you responding?



# Questions and comments





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