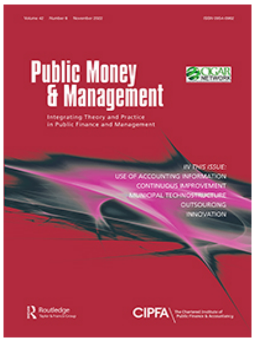

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Public goods, public value and public audit: the Redmond review and English local government

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IMPACT
There has been a growing recognition that the arrangements for local public audit and public assurance are no longer fit for purpose in England. Audit provides an essential part of all accountability arrangements, as it certifies financial propriety. English local governance now features an incomplete and fragmented landscape. This means that policy-makers and citizens only have limited oversight of local authorities' operations and the extent to which they deliver value to the public. The government has accepted the Redmond Review's recommendations and promised radical changes to the audit market, and the scope, functioning and transparency of local audit.

ABSTRACT
Following multiple critical reviews of local audit arrangements, the UK government is poised to improve public oversight of English council finances to try to identify and address risks as they emerge. This article traces the growing realization that previous audit arrangements were ineffective and suggest that the New Public Management-inspired approach of outsourcing, fragmentation and austerity increased these concerns. The authors highlight the enduring importance of public oversight of public spending in order to protect the delivery of public goods.

KEYWORDS
England; financial resilience; local government finance; public audit; public value; Redmond review

Introduction

Academics, auditors, professional and assurance bodies have expressed growing concerns about the financial resilience, sustainability, and vulnerability of English local authorities after a decade of funding cuts, growing demands and other increased pressures on local public services (Barbera et al., 2017; CIPFA, 2017; Ferry, 2019; Ferry et al., 2019; Ferry & Eckersley, 2022; Sandford, 2020). In the UK, and particularly in England, local authority financial support from central government has been significantly reduced, both in real terms and in comparison to most other public services, by successive Government Spending Reviews between 2010 and 2020 that were translated into Local Government Financial Settlements (LGFS) (NAO, 2018, 2021a; Treasury, 2020).

At the same time, the local auditing and financial reporting arrangements have also been significantly revised by the winding down of the Audit Commission from 2010 onwards and the passing of the Local Audit and Accountability Act 2014. In addition, HM Treasury has revised its model for distributing central funding to local authorities through the annual LGFS, and austerity cuts have disproportionately affected parts of the country that were already economically deprived (Gray & Barford, 2018). These changes meant that many local councils faced severe financial and managerial challenges – yet the level of public oversight and knowledge of the risks to the delivery of public goods that these entailed were severely restricted (Ferry & Eckersley, 2022).

In response, the UK government commissioned an independent review of local public audit in England – the Redmond Review – and appears set to reintroduce a number of oversight mechanisms in response to its recommendations. This article shows how the proposed reforms are underpinned by a concern for the public interest and mitigating public financial risk. In line with common perceptions that the UK is an enthusiastic proponent of New Public Management (NPM) ideas (Hood & Dixon, 2015), it outsourced public audit to private companies and has explicitly ruled out the re-creation of the Audit Commission. Yet, we show how it cannot escape the need to ensure public oversight of public money, in order to protect the delivery of public goods by local government.

The next section explains the concepts of public goods and public value in the UK context, before we set out our methods and trace changes in the English local government audit landscape since 2010. We then discuss the process and recommendations of the Redmond Review and the UK government's response, before summarizing our findings in the conclusion.

Public value and public goods

The concept of public value originally emerged from the work of Mark Moore at Harvard (1995; O'Flynn, 2021). As Wylie (2020, p. 3) explains:

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> Essentially, public value is about the creation of value for the common good. It is about individual lives in social settings, and it reflects the nature of the human experience. A public value perspective re-scales the boundaries of an organization in collaborative networks and new institutional forms, reimagining its impacts to include the outcomes realized in the public sphere and recognized by citizens and stakeholders.

Moore (1995) developed three distinct but interdependent processes which he saw as being necessary for the creation of public value. These he termed the 'strategic triangle'. The first is the need to be clear about the strategic goals or public value outcomes sought in any particular circumstance. The second is legitimacy via an 'authorizing environment', which is a coalition of stakeholders (public private and third sectors) whose support is required to sustain strategic action. The third is the operational capacity to implement the strategy or action effectively (Benington & Moore, 2011). Expanding on the second of these points, Stoker (2006) emphasized the democratic and political nature of defining and creating public value. By placing citizens at the centre of the process of establishing and agreeing what public services ought to achieve, he pointed out how this principle diverged from both the traditional public administration and NPM paradigms. In his words, 'the judgement of public value is collectively built through deliberation involving elected and appointed government officials and key stakeholders' (Stoker, 2006, p. 42).

Although Moore's original work was largely based on public service delivery in the neo-liberal environment of the USA, subsequent development of the concept and its application has informed public service reforms in Europe, the UK, Canada, Australia, and New Zealand (Benington & Moore, 2011; Kelly et al., 2002; O'Flynn, 2007; Seddon, 2008).

Others, such as Meynhardt (2009), Lindgreen et al. (2019), Mazzucato (2021) and Hartley and Benington (2021), have refined the concept of public value further, while the theory-practice divide has been addressed by Bryson et al. (2015), and by Wylie (2020). Indeed, Liddle (2018) contends that public value has become part of a growing and wider new public governance theoretical paradigm, which includes a set of doctrines and approaches that promote 'common good' by incorporating 'public values' across the political system:

> It attempts to theorize about complex 'decision-making' spaces and enlarged 'gaps' between formalized, hierarchical 'tiers' of regulatory government jurisdictions and informal, unregulated connections, linkages, and inter-relationships. The paradigm facilitates an understanding of inter-connections, inter-dependencies, interactions between complex issues and across multiple boundaries, to reach agreement between diverse stakeholders influencing what constitutes 'public value' (Liddle, 2018, p. 967).

However, although the element of democratic deliberation was central to Moore's initial conceptualization of *creating* public value, it is perhaps more difficult to achieve in practice than other aspects of the idea. Given that public bodies are ultimately responsible for delivering the policy agendas of elected politicians, any definition of public value is likely to be subject to the influence of powerful political interests, and to be contested – regardless of the structure of deliberative institutions (Alford, 2008; Alford & O Flynn, 2009; Jacobs, 2014; O'Flynn, 2007). Governments in countries such as the UK have also muddied the picture somewhat, by introducing public service reforms that embraced the language but not necessarily all of the core principles of public value.

These developments have meant that public value is now often understood as more of an umbrella term that encompasses ideas of furthering the public interest and maintaining the delivery of *public goods* – services, facilities and benefits that are available to all in society, without restrictions or competition (Ostrom & Ostrom, 1977). This contrasts with NPM's focus on trying to reduce input costs through outsourcing, privatization or other marketization techniques (O'Flynn, 2007). We acknowledge that this 'concept stretching' (Sartori, 1970) may have hampered the development of a coherent and cumulative body of research (Hartley et al., 2017, p. 673). However, despite the utility of Moore (1995) and Stoker (2006)'s emphasis on the *process* of agreeing and creating public value, our study has relevance beyond this narrower definition of the concept. Therefore, we adopt the broader interpretation of public value as a *principle* that seeks the maintenance and furtherance of public goods and the public interest.

Public value in the UK

Although the democratic deliberation element of Moore (1995) and Stoker's (2006) conceptualization did not always complement New Labour's pragmatic 'what matters is what works' approach, the UK's New Labour governments of 1997–2010 did embrace many other public value principles. For example, its language featured in the Local Government White Paper published in January 2002 (DTLR, 2002) and in an analytical framework produced by the Cabinet Office Strategy Unit (Kelly et al., 2002). As understanding of the theory and concepts of public value developed (Barber, 2012; Benington & Moore, 2011; Cabinet Office, 2004), the objective of optimizing public value for English localities, populations or communities was increasingly applied to more services and communities, most notably through Local Area Agreements (LAAs), where it was considered more appropriate than alternative objectives and theories (DCLG, 2008).

The concept fell out of favour after a Conservative–Liberal Democrat Coalition government took office in 2010, although it endured more in Labour-controlled local authorities and in Scotland and Wales under their respective devolved administrations (see Ferry et al., 2019 for an example in English local government). During this period, the Coalition and subsequent Conservative governments pursued policies of austerity-localism, largely reverting to NPM principles, which increased the legal freedom of local government, while significantly reducing its funding, capacity and decision-making space (Eckersley & Tobin, 2019).

Nonetheless, even though NPM made something of a comeback in English local government, the Covid 19 pandemic highlighted how the concept of public value as the protection and maintenance of public goods continues to underpin public health and the delivery of many health services in the UK (Heath et al., 2021; Kokko & Laihonen, 2022). Decisions related to Covid 19, such as lockdown restrictions, epidemiological research, hospital spending, testing, and the procurement of protective equipment, have routinely been assessed in terms of their public, social and/or collective costs and benefits, as well as the impact on individual citizens. As such, concerns about public value have certainly not disappeared. Indeed, the UK's Social Value Act 2012, and recent revisions of the Treasury Green Book (Treasury, 2022), explicitly encouraged broader notions of value, to inform decisions around the allocation of public spending (Finnis et al., 2016; Mulgan et al., 2019). By extension, any post hoc evaluation of value creation and accountability needs to incorporate the concept into its methodology. As the Chair of the Public Accounts Committee stated: 'in the end if we [Members of Parliament] want to make a difference we need to study why and how public value has been delivered' (Hillier, 2020, p. xiii).

To return to our analytical focus on English local government finance, the scale of austerity cuts and reduced oversight of council spending that the UK government introduced since 2010 have raised concerns about public value within English councils, whether it is defined as managerial empowerment to create public value or a broader definition nearer to public good or public interest (Eckersley & Tobin, 2019; Ferry et al., 2019). The remainder of this article will highlight its continued importance for public bodies and how the UK government belatedly recognized the risks associated with a lack of public oversight of local public spending.

Method

We adopted an exploratory approach to examine the evolution of local audit arrangements for principal local authorities in England and their ability to demonstrate accountability for audit performance to the public. We drew on government legislation, ministerial speeches, parliamentary committees, audit, and other publicly available reports to identify the reasons and rationale for changes in principal authorities' audit arrangements, and changes to the objectives and arrangements for local government finance. More specifically, we focused on the antecedents and evidence submitted to the Redmond Review (Ferry, 2019; ICAEW, 2018; RAND Europe/MHCLG, 2018; Redmond, 2019, 2020), the Redmond Review itself, and the government's response (DLUHC/MHCLG, 2021; MHCLG, 2020a, 2021a).

Public audit in English local government

Public value considerations were particularly pertinent in the context of English local government after the cessation of LAAs and the introduction of the Local Audit and Accountability Act 2014. This Act formally abolished the Audit Commission (the public body that previously had oversight of local government financial and performance assessment) and allowed local authorities to appoint their own auditors (Ferry & Ahrens, 2022). This new market-based approach resulted in lower audit fees and less comprehensive assessments, and therefore less public oversight of local government financial management (Ferry, 2019; Watson, 2019). There was also a growing recognition that the new arrangements for public audit and public assurance were inadequate and in significant areas no longer fit for purpose (De Widt et al., 2022; Ferry, 2019; ICAEW, 2018; Kingman, 2018; Melville, 2020; Murphy & Lakoma, 2020; NAO, 2021a, 2021b). Audit provides an essential part of any accountability regime because it certifies financial propriety (Ferry et al., 2022). Ferry et al. (2022, p. 4), in their recent study of 'place-based' initiatives found 'English local governance features a range of dispersed public organizations with differing accountability mechanisms. Local governance and public audit have not succeeded in harnessing them into a coherent accountability framework'. This incomplete and fragmented landscape means that policy-makers and citizens can only have limited oversight of their operations and the extent to which they deliver value to the public (Ferry & Eckersley, 2022).

Uncertainty over audit and assurance arrangements has also increased the risk of future financial issues within local authorities going undetected or under-appreciated. This is particularly the case given the financial pressures that most councils have experienced from 2010 onwards, and the fact that a long-promised review of local government funding, based on an updated assessment of needs and resources, had still not materialized by 2022, six years after it commenced (Amin-Smith, 2019; Murphy & Eckersley, 2020; Travers, 2021). For instance, in 2019 the NAO reported that:

> Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high (NAO, 2019, p. 8).

The NAO's concerns about whether a lack of public oversight of public spending was compatible with the public interest echoed those of many other expert assessments. These included Sir John Kingman's (2018) review of the Financial Reporting Council, the Competition and Markets Authority's (CMA, 2019) study of the statutory audit market, Sir Donald Brydon's (2019) review of the quality and effectiveness of private sector audit and RAND Europe's (2018) scoping review of local audit for the Ministry of Housing, Communities & Local Government (MHCLG). These all found significant and, in some areas, fundamental inadequacies and Kingman suggested that local public audit was so fundamentally different from private sector audit, and its oversight so fragmented, that it required a bespoke independent review by a public sector specialist:

> The structure is fragmented and piecemeal. Public sector specialist expertise is now dispersed around different bodies. The structure means also that no one body is looking for systemic problems, and there is no apparent co-ordination between parties to determine and act on emerging risks (Kingman, 2018, p. 69).

Moreover, Kingman voiced his concerns about public oversight of public money in general terms; the fact that he produced his report eight years after the beginning of a severe austerity programme made them particularly important. The UK government cut local government funding by 49% between 2010 and 2018, and councils had very limited opportunities to make up this revenue shortfall from other sources (NAO, 2018). In addition, the poorer parts of England were hit disproportionately by the funding reductions (Gray & Barford, 2018). This meant that a large number of councils were in severe financial straits at the very point in time when public oversight of their income and spending was extremely limited. Several local authorities, including Northamptonshire, Croydon and Slough, have recently issued Section 114 notices to warn that they would be unable to deliver a balanced revenue budget, meaning that spending on everything apart from essential public services has to stop.

The Redmond review

The UK government was unable to ignore these concerns and commissioned an independent review of local authority audit to be led by Sir Tony Redmond, a former local authority chief executive, Local Government Ombudsman and past president of CIPFA. In his initial consultation document, Redmond included the following revealing statement, which is critical to understanding the scope of the review, the response it received and its subsequent importance:

> This call for evidence is a key part of the review in determining whether the requirements of the Local Audit and Accountability Act 2014 are being fulfilled. I will look to test the assurance processes in place with regard to the value for money arrangements together with financial resilience in local councils (Redmond, 2019, p. 3).

The review itself and its terms of reference stated that it would:

> Examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework in order 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 (Redmond, 2019, p. 4, our emphasis).

The inclusion of the words 'policy intent' significantly influenced the scope, the response, and the potential impact of the review. Given that these intentions could be interpreted subjectively, it allowed respondents to take a more holistic, comprehensive and/or system-wide approach to their responses. In theoretical terms it also invited the review to influence all three parts of Moore's strategic triangle: i.e. the strategic goals of the system, the operating capacities and the involvement of citizens in defining and creating public value.

Although the full set of responses has not been formally published by MHCLG, a number of key interested stakeholders have made their responses publicly available (CIPFA, 2019; ICAEW, 2019; LGA, 2019; Murphy, 2019). Appendix 8 of the final report does include information on the number and origin of representations and there are also some summaries of responses to the individual questions in the main report. The review conducted over 100 interviews and received representations from 156 sources. The sources are summarized in Table 1.

The local government sector and the regulator's perspective (including CIPFA, 2019; ICEAW, 2018, 2019; LGA, 2019; NAO, 2019) was that there was a growing 'expectations gap' in what the public assumes is provided and what the system provides. The local authorities' and the audit firms' 'lived experience' was of a poorer and slower audit delivered by less knowledgeable and less experienced staff (Watson, 2019). Whatever the original intention, the 2014 Act had shifted local audit from a broader focus on short-, medium- and long-term financial management to a focus on short-term financial reporting resulting in systemic and systematic inadequacies and omissions in accountability, accounting, policy, delivery and assurance.

Notably, there was very high level of agreement across the respondents and across the sector in terms of the weaknesses of existing arrangements, even relating to some of the most potentially contentious and important areas and recommendations for change (Redmond, 2020). This potentially affected the authorizing environment and the 'legitimacy' of the review's recommendations. It included agreement about the malfunctioning of the current audit market, the inadequate level of fees and the 'going concern' judgement within public audit reports. The level of fees had led to firms devoting less time to audits, and profit levels were so low as to deter individuals and firms from entering the market. As a result, both firms and authorities were finding it hard to attract and retain high quality staff specializing in local audit (Lakoma & Murphy, 2021; Redmond, 2020; Watson, 2019).

Similarly, most respondents to the consultation criticized the inadequacy of system leadership at the national level, with no single designated organization to co-ordinate all stages of the audit. There are six different entities with statutory responsibilities in the regulatory framework, and this is further complicated by differing parts applying to different sectors and inconsistency with the arrangements in Scotland, Wales, and Northern Ireland. A large majority of respondents (82%) wanted a single regulatory body to replace this fragmented and complex system. Redmond did consider whether any of the existing bodies should be asked to develop this role but concluded that a new body, to be called the Office of Local Audit and Regulation (OLAR), should be established to act as a single regulatory body.

A third area of broad agreement concerned the lack of any opinion on either financial sustainability or the financial resilience of local authorities within financial and value-for-money audits (Murphy & Lakoma, 2020). The public assumes and expects that audits include this information (ICAEW, 2018), and 91% of the respondents to Redmond's consultation were clear that they should. In fact, 87% of respondents thought that the current 'going concern' assessment in the audit is completely meaningless in the local government context, given that public bodies primarily act in the public interest and seek to deliver public value rather than shareholder profit. In response, Redmond recommended that the scope of audit should include a substantive test of a local authority's financial resilience and its sustainability. If implemented appropriately these concepts would allow the audit to embrace both medium- and long-term timescales (rather than focusing on short-term reporting) and would (at least theoretically) include objectives and assessments based upon the creation and protection of public value.

Table 1. Representations received.

22	Audit and audit stakeholders (such as CIPFA, Welsh Audit)
87	Individual local authorities (including all types of authorities)
9	Authority groups (such as societies of treasurers)
26	Individuals
12	Others (including the media, academics, and specialist interest groups)

Source: Redmond (2020).

The government's response

The UK government's initial response, published as a policy paper in December 2020 during a national lockdown and shortly before parliament rose for the Christmas break (MHCLG, 2020a), was generally supportive of Redmond's recommendations (see Table 2).

Indeed, close inspection of its response reveals that the government essentially accepted, or agreed in principle, to all recommendations relating to the inadequate form and functioning of local public audit; the malfunctioning local audit market; the inadequacy of the fee structure; the need for much greater transparency to all key stakeholders (most notably the public) and the need to make smaller and simpler changes in the arrangements for the audit of small bodies. By recognizing that the marketization of public audit had reduced its awareness of any potential problems with local government operations, and increased exposure to financial risks, the government accepted the need for greater public oversight in order to ensure greater protection of the public interest. For example, it accepted the need to do the following:

- Ensure that auditors engaged in local audit are provided with the requisite skills and training to audit a local authority, irrespective of seniority.
- Revise the current fee structure for local audit to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Extend the deadline for publishing audited local authority accounts to ensure that they are not rushed.
- Review governance arrangements within local authorities so that external auditors submit annual reports to the full council, irrespective of whether the accounts have been certified.
- Ensure that any concerns relating to service and financial viability are shared between local auditors and other inspectorates prior to completion of the external auditor's annual report.
- Require local authorities to produce a standardized statement of service information and costs, which is subject to external audit, and present this alongside the statutory accounts.

However, the government did not accept the sector leadership recommendations to establish a new public body, the proposed Office of Local Audit and Regulation (OLAR), which would lead, regulate, and manage local audit. The official response stated the government was considering these recommendations further and would make a full response by spring 2021. Ministers argued that they did 'not wish to re-create the costly, bureaucratic and over-centralised Audit Commission' (MHCLG, 2020a, p. 13) and characterized the proposed OLAR as a Trojan Horse for its resurrection. Official government policy at the time stated that new arms-length public bodies should only be created in cases where there are 'exceptional reasons' to do so (Cabinet Office, 2018; MHCLG, 2020b), and this line was echoed by financial commentators, the media and numerous Conservative MPs on the same day (Golding, 2020; Watts, 2020). Subsequently, in March 2021, the Department for Business, Energy & Industrial Strategy announced, through the publication of a White Paper, the government's decision to replace the Financial Reporting Council with a new body, the Audit Reporting and Governance Authority (ARGA) (DBEIS, 2021).

In its spring update, MHCLG (2021b) announced that ARGA would take on the local audit system leader role for public audit and confirmed that ARGA would have statutory responsibilities and powers. The government then launched a public consultation on how the new arrangements would operate and their application to other non-principal public authorities such as clinical commissioning groups, health trusts, passenger transport authorities, and national parks. The consultation closed in September 2021 but, by September 2022, the government had still not responded. Since statutory legislation would be necessary to introduce any new arrangements, we will need to wait until at least the next session of parliament before they are implemented.

Discussion and conclusions

Potential changes

The level of unanimity among the government and key stakeholders around key issues, together with the acknowledgement of significant conceptual and practical changes in the new Code of Audit Practice (NAO, 2020a) (the consultation process for which included government as well as practitioners), suggests that significant change is now almost inevitable. Radical changes are emerging in relation to the audit market, and the scope, functioning and transparency of local audit. The new arrangements will incorporate the emerging concepts of financial resilience, sustainability and vulnerability and cover new commercial and hybridized forms of local authority activity. Meynhardt (2019), Rutgers (2019), Wylie (2020) and others have demonstrated how these commercial and hybridized bodies can create or contribute public value even if it is not their prime purpose. In tacit recognition of the need to involve citizens in defining and creating public value, the audit 'expectations gap' will be diminished, so that what the system provides is closer to what the public has assumed it provides. Furthermore, the new arrangements will make authorities and their services auditable for a full range of purposes, covering social as well as economic imperatives and making the process more transparent. It may encourage broader notions of public value than is currently facilitated by the Social Value Act 2012 and the Treasury Green Book.

System leadership

It is too early to predict what will happen in terms of system leadership. The government has accepted that system leadership needed to improve and that a single body is required to co-ordinate the sector but baulked at establishing a new arms-length independent body, fearing that it risked re-creating an organization similar to the Audit Commission. Nonetheless, there will be central oversight of local audit and financial reporting, albeit through the proposed ARGA. This authority will primarily be concerned with the private sector business community, but 'with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers' (MHCLG, 2021b, p. 1). It will contain 'a

Table 2. Summary of Redmond recommendations (excluding those for smaller bodies).

Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)	
Recommendation	**MHCLG response**
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority	**Agree**; we will work with key stakeholders to deliver this 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	**Agree**; we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work	**Part agree,** we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required
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	**Part agree,** we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review
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 local government and health final accounts work	**Agree**
Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)	
1. 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: • Procurement of local audit contracts • Producing annual reports summarizing the state of local audit • Management of local audit contracts • Monitoring and review of local audit performance • Determining the code of local audit practice • Regulating the local audit sector	**We are considering these recommendations further** and will make a full response by spring 2021.
2. The current roles and responsibilities relating to local audit discharged by the: Public Sector Audit Appointments (PSAA) Institute of Chartered Accountants in England and Wales (ICAEW) FRC/ARGA The Comptroller and Auditor General (C&AG) to be transferred to the OLAR	**We are considering these recommendations further** and will make a full response by spring 2021.
3. 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	**We are considering these recommendations further** and will make a full response by spring 2021.
7. 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	**We are considering these recommendations further** and will make a full response by spring 2021.
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	**We are considering these recommendations further** and will make a full response by spring 2021.
17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained	**We are considering these recommendations further** and will make a full response by spring 2021.
Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)	
4.The governance arrangements within local authorities be reviewed by local councils with the purpose of: • An annual report being submitted to the full council by the external auditor • Consideration being given to the appointment of at least one independent member, suitably qualified, to the audit committee • Formalizing the facility for the CEO, monitoring officer, CFO to meet with the key audit partner at least annually	**Agree**; we will work with the LGA, NAO and CIPFA to deliver this recommendation
9. External audit recognizes that internal audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice	**Agree**; we will work with the NAO and CIPFA to deliver this recommendation
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	**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
18. 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	**Agree**; we will work with other departments and the NAO to deliver this recommendation
Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)	
19. A standardized 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	**Agree**; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation
20. The standardized statement should be subject to external audit	**Agree**; we will work with CIPFA, the LGA and the NAO to deliver this recommendation
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	**Agree**; we will work with the LGA and CIPFA to deliver this recommendation
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardized 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	**Agree**; we will look to CIPFA to deliver this recommendation

Source: MHCLG (2020a).

standalone local audit unit, to better coordinate a new, simplified local audit framework' although PSAA will continue as the appointing body for local audit, in charge of 'procurement and contract management for local government auditors'. By allocating these responsibilities to an organization that will work largely with private companies, we can see how the NPM-inspired marketization of public audit has not been completely abandoned. However, many of the shortcomings of the previous arrangements are being addressed, as the government recognizes that rigorous public oversight of public money is necessary to protect the public interest. In a nod to the democratic deliberation element of public value creation, this applies not only in terms of expert monitoring through better-resourced and more appropriate auditing arrangements, but also by changing the content and nature of audit reports so that they are more understandable to citizens. As such, members of the public may be better placed to contribute towards discussions about how local authorities may be creating and delivering public value. At the time of writing (September 2022), therefore, it seems highly likely that a new statutorily based local public audit system will emerge in the relatively near future, and that it will facilitate the auditing of systems and processes, objectives, and outcomes, that revolve around, *inter alia,* the creation or realization of notions of public value and the protection of the public interest.

Public value

Notably, the combination of austerity measures and reduced oversight of council finances, which led to some local authorities descending into financial crisis, has contributed towards this renewed appreciation for the principles of public value within central government. We can draw a parallel here with the lessons emerging from the pandemic, where the early reliance on the private sector for personal protective equipment, Test and Trace, and the supply of ventilators to the NHS (NAO, 2020b, 2020c, 2021c) was later superseded by a more direct role for the state in public health and collaborative responses to vaccine rollouts (NAO, 2022). This recognition that governments need to play a central role in the provision of public services, and its increasing acknowledgment amongst regulators, suggests that we may see a new wave of interest in public value theory and practice – whether defined in its narrow terms as a democratic *process* of value creation or more broadly as a *principle* of protecting, maintaining and furthering the public interest.

Financial planning

Despite these developments, English councils have not yet returned to medium-and long-term financial planning through the readoption of multiple year spending reviews, and nor have we seen the return of LGFS that are based on a comprehensive, fair, and transparent process of distribution following an up-to-date assessment of authorities' needs and resources, using the best available evidence (Housing Communities and Local Government Select Committee, 2019). With the exception of the NHS and social care, this could mean that the new local public audit regime will be assessing a smaller proportion of the nation's resources and a reduced range of local authority services.

Nonetheless, the proposed changes to local authority financial reporting and external audit arrangements in England should ensure greater public oversight and assurance of council spending and activities. Since they are intended to be more transparent and comprehensive, and to facilitate short-, medium- and long-term horizons, they are also more likely to facilitate continuing interest in the concepts of public interest and the creation of public value. This is particularly noteworthy, given that the UK is often cited as a leading exponent of NPM ideas. Indeed, the wave of NPM-inspired reforms that the UK government has introduced in English local government since 2010, which centred around funding cuts and the outsourcing of public audit to private firms, actually helped to reveal the flaws in this approach and contributed to greater awareness of the importance of the state in delivering and overseeing public services. As such, the proposed changes to auditing arrangements chime with other 'post-NPM' initiatives, such as 'joined-up government', 'remunicipalization' and 'insourcing', that seek to address some of the problems created by the fragmentation, outsourcing and commodification of public services. We would welcome further research to identify how governments across the globe seek to conceptualize, generate and ensure public value in the context of fragmented governance landscapes. This applies not only to their arrangements for public audit, but across corporate and front-line services.

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