

Agenda item 3

Report title: Deferral of completion of the external audit of the Council's 2019/20 Statement of Accounts		AGS/76/20
Report to Audit, Governance and Standards Committee		
Report author: Nicole Wood, Executive Director, Finance and Technology		
Date of meeting: 28 September 2020		For: Information
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Divisions affected: All Essex		

1. Purpose of report

- 1.1 The purpose of this report is to present a report by the Council's External Auditor, BDO LLP, on deferral of completion of the audit of the Council's Statement of Accounts for 2019/20 (comprising the work necessary to provide audit opinions on the financial statements of the Council and Essex Pension Fund and reach a conclusion on the effectiveness of the systems in place to secure value for money in the Council's use of resources).

2. Recommendations

- 2.1 The Committee notes the reasons for deferral of completion of the external audit for 2019/20, as appended to this report.
- 2.2 The Committee agrees to move the meeting scheduled for **7 December 2020** to **16 November 2020** in order to meet BDO's revised expectations for completing their audit and for issuing their Audit Completion Reports for the Council and Essex Pension Fund for 2019/20, and to approve the Council's 2019/20 Statement of Accounts for publication.

3. Background

- 3.1 The Council is required by Regulation to:
- Produce draft accounts, and present them for external audit, by a specified date each year;
 - Make the draft Statement of Accounts available for a period of 30 working days, during which time the public have the right to raise objections, inspect the accounts and question the Local Auditor; and
 - Publish its final, audited accounts by a specified date each year.

- 3.2 Statutory regulations usually require these activities to be undertaken in accordance with the following timetable:
- Produce the draft Statement of Accounts and present them for external audit by **31 May**;
 - Make the draft accounts available for public inspection for a period of 30 working days, to include the first **10 working days of June**; and
 - Publish final, audited, accounts by **31 July**.

However, in recognition of the significant pressure local authorities have been under in responding to the COVID-19 pandemic, the Government extended the statutory deadlines for the 2019/20 financial year.

- 3.3 The Government extended the statutory deadlines as follows:
- The deadline for production of draft accounts was deferred from **31 May to 31 August**;
 - The deadline for publication of final, audited accounts, was deferred from **31 July to 30 November**.

The Government also confirmed that authorities could choose when to commence their period for public inspection of their accounts.

- 3.4 An informal deadline of **30 June** was set for production of the draft Statement of Accounts for 2019/20.

- 3.5 In line with this aspiration, the Executive Director for Finance and Technology certified the draft (unaudited) Statement of Accounts for 2019/20 on **30 June**; and presented the draft accounts to the external auditor and commenced the 30-day period for the exercise of public rights on **1 July**. The draft Statement of Accounts was presented to the Committee (for information only) on **6 July 2020 (AGS/72/20)**.

- 3.6 Following discussions with BDO, it had been anticipated that the external auditor would report the results of the audit work to the Committee on **28 September 2020**, at which stage the Committee would be asked to approve the Statement of Accounts for publication. However, this has not proved possible, for the reasons outlined in BDO's report (as appended).

- 3.7 BDO now anticipate being able to complete most of their field work by the end of September and being able to present their Audit Completion Reports for the Council and the Essex Pension Fund to the Committee during week commencing **16 November 2020** (subject to the Committee being able to schedule a meeting during this week). Whilst this is much later than anticipated, audit sign off during week commencing 16 November would still be in accordance with the statutory deadline for publication of final, audited, accounts for 2019/20 which is 30 November 2020.

4. Policy context and Outcomes Framework

- 4.1 The Statement of Accounts for 2019/20 summarises the financial performance and financial position for the Council for the year ending 31st March 2020. As such, the Accounts provide a financial representation of activities during 2019/20 against the Organisation Strategy.

5. Financial Implications

- 5.1 It is not currently anticipated that there will be any specific financial implications arising because of deferral of completion of the 2019/20 audit.
- 5.2 From the Council's perspective, it would be difficult to understand why a delay in completion of its audit, for reasons outside of the Council's control, could justify an increase in audit fees. Consequently, any proposal by BDO to vary the audit fee for their 2019/20 audit would be subject to careful scrutiny.

6. Legal Implications

- 7.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as currently amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The Council is also required to produce an annual governance statement.

7. Staffing and other resource implications

- 7.1 There are no staffing implications associated with this report.

8. List of appendices

- 8.1 **Appendix A** – Report by BDO LLP on deferral of completion of the audit of the Council's 2019/20 Statement of Accounts.

9. List of Background Papers

- 9.1 None