

Agenda item 5

Report title: Delay to completion of the external audit of the Council's 2020/21 Statement of Accounts		AGS/18/21
Report to Audit, Governance and Standards Committee		
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Date of meeting: 27 September 2021	For: Information	
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Divisions affected: All Essex		

1. Purpose of report

- 1.1 The purpose of this agenda item is to present a report by the Council's External Auditor, BDO LLP (BDO), on a delay to completion of the audit of the Council's Statement of Accounts for 2020/21 (comprising the work necessary to provide audit opinions on the financial statements of the Council and Essex Pension Fund and to provide commentary 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 the delay to completion of the audit for 2020/21, as set out in the appended report.

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.
 - Formally publish its accounts by a specified date each year.
- 3.2 Statutory regulations require these activities to be undertaken in accordance with the following timetable for the 2020/21 financial year:
 - Produce the draft Statement of Accounts and present them for external audit by **31 July**.

- Make the draft accounts available for public inspection for a period of 30 working days, to commence no later than **1 August**.
- Formally publish the accounts by **30 September**.

3.3 An informal deadline of **30 June** was set for production of the draft Statement of Accounts for 2020/21 (one month ahead of the statutory deadline).

3.4 In line with this aspiration:

- The draft (unaudited) Statement of Accounts for 2020/21 was presented to the Audit, Governance and Standards Committee on **28 June (AGS/13/21)**.
- The Section 151 Officer certified the Statement of Accounts on **30 June**.
- The draft Statement of Accounts was released for external audit and for public inspection on **1 July**.

3.5 BDO indicated that their intention was to report the results of the audit work to the Committee on **27 September 2021**, thereby enabling the Audit, Governance and Standards Committee to approve the Statement of Accounts for publication by the statutory deadline of **30 September 2021**. However, for the reasons outlined in BDO's report (as appended), BDO advised the Council in mid-July that it would no longer be feasible to complete the audit by this date.

3.6 BDO now anticipate being able to present their Audit Completion Reports for the Council's and the Essex Pension Fund's financial statements to the Committee on **15 November 2021**.

3.7 The Auditor's Annual report, which will include commentary on the Council's arrangements to secure value for money in the use of its resources, will be issued within three months of issuing the opinions on the Council's and Essex Pension Fund's financial statements.

4. Policy context and Outcomes Framework

4.1 The Statement of Accounts for 2020/21 summarises the financial performance and financial position for the Council for the year ending 31st March 2021. As such, the Accounts provide a financial representation of activities during 2020/21 against the Organisation Strategy.

5. Financial Implications

5.1 It is possible that the Council will incur additional costs as a consequence of the prolonged nature of the 2020/21 audit, including costs associated with retaining ongoing access to the current finance systems beyond the planned go-live date for the new 'My Oracle' Corporate System.

- 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 2020/21 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 The audit will now extend into the period when the Council will be managing the cut over to its new Corporate System (My Oracle) and into other finance related activities that do not usually coincide with the external audit (such as work associated with setting the annual budget and planning for closure of the 2021/22 accounts).
- 7.2 It is therefore possible that the Council will be unable to support the remainder of the audit to the timelines envisaged by BDO, although every effort will be made to ensure that there is no further delay to completion of the 2020/21 audit.

8. List of appendices

- 8.1 **Appendix A** – Report by BDO LLP on the delay to completion of the audit of the Council's 2020/21 Statement of Accounts.

9. List of Background Papers

- 9.1 None