



# BDO AUDIT PROGRESS REPORT

Essex County Council

27 June 2023

# EXECUTIVE SUMMARY



This report provides the Audit, Governance and Standards Committee with an update on the progress of our audits and plans to clear the backlog of work.

DLUHC wrote to all local authorities and audit firms on 14 March requesting that auditors provide Audit Committees with a realistic project and delivery plan for delayed audits and the critical dependencies.

Issues nationally that have increased the resources required to complete local authority audits or have caused delays include:

- ▶ Backlog initially created during Covid and lockdown that has not been recovered
- ▶ Enhanced quality requirements following well publicised audit failures
- ▶ Implementation of new auditing standards
- ▶ Infrastructure accounting and inadequate historical records for highways and infrastructure spend
- ▶ Increased complexity of group structures, nature of transactions and asset ownership
- ▶ Difficulty recruiting auditors to the sector.



## AUDIT PROGRESS AND RECOVERY PLANS

On the following pages we set out the progress on audits, outstanding work, issues to resolve and a timetable when we expect to have resources to complete the work.

- ▶ 2020/21 - The vast majority of the accounts audit is complete already, with residual work remaining on finalising the infrastructure issue and clearing quality review points. Use of Resources work has been commenced. Focusing on specific risks, but needs to be completed
- ▶ 2021/22 - The accounts audit has commenced, with the vast majority of the Pension Fund element completed. However, we will need to accelerate triennial work due to the most recent report having been issued.

We will discuss these issues and proposed timetables with you at the Audit, Standards and Governance Committee on 3 July 2023.

The 2020/21 audit was planned to be completed to report to the 3 July 2023 to enable the 2020/21 Statement of Accounts to be approved at that Committee and the opinion issued shortly thereafter. This has not been possible because, whilst notable progress towards this deadline was made, the key senior members of the audit team have been unable to dedicate all of the time necessary to completely finalise the work.

## NATIONAL PICTURE

### 2020/21

Only **9%** of 2020/21 local government bodies received an audit opinion by the extended deadline of 30 September 2021 and **35%** had still not received the audit opinion by 30 September 2022.

### 2021/22

Only **12%** of 2021/22 local government bodies received an audit opinion by the extended deadline of 30 November 2022 and **373** remain outstanding.

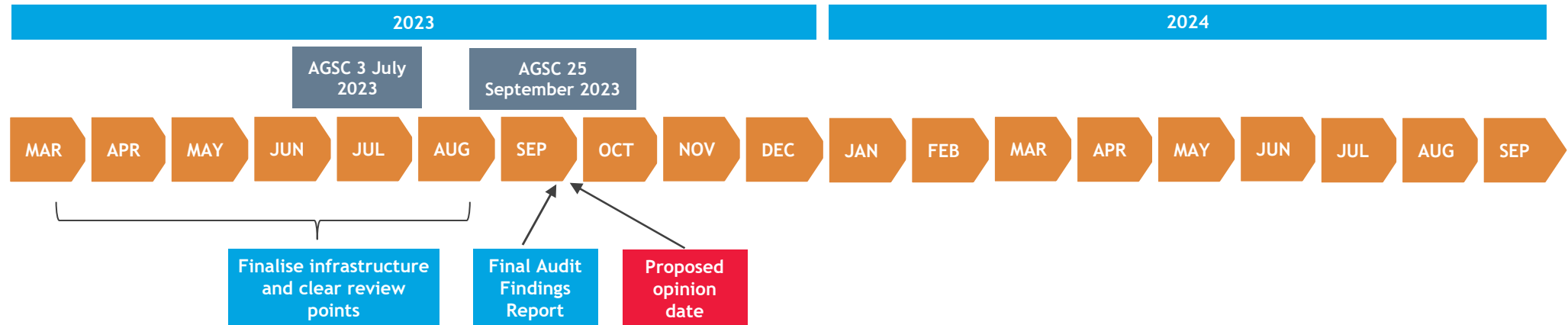
## Audit capacity and costs

The latest procurement by PSAA for contracts commencing for year ends 31 March 2024 will increase audit fees by **150%** and Government has pledged to make an additional **£60m** of funding available over four years from 2021/22.

## Redmond review

Limited progress has been made against the Redmond review recommendations to improve local public audit. The new system leader role to be undertaken by the Audit, Reporting and Governance Authority is expected to commence in 2024.

# YEAR ENDED 31 MARCH 2021



## BDO RESOURCES TO COMPLETE >>>

### WORK COMPLETED

- ▶ Fieldwork and majority of audit testing completed
- ▶ Manager, Partner and EQR reviews have been undertaken and points raised
- ▶ Use of Resources assessment work has commenced, and some specific risk elements are completed
- ▶ Pension Fund audit is complete

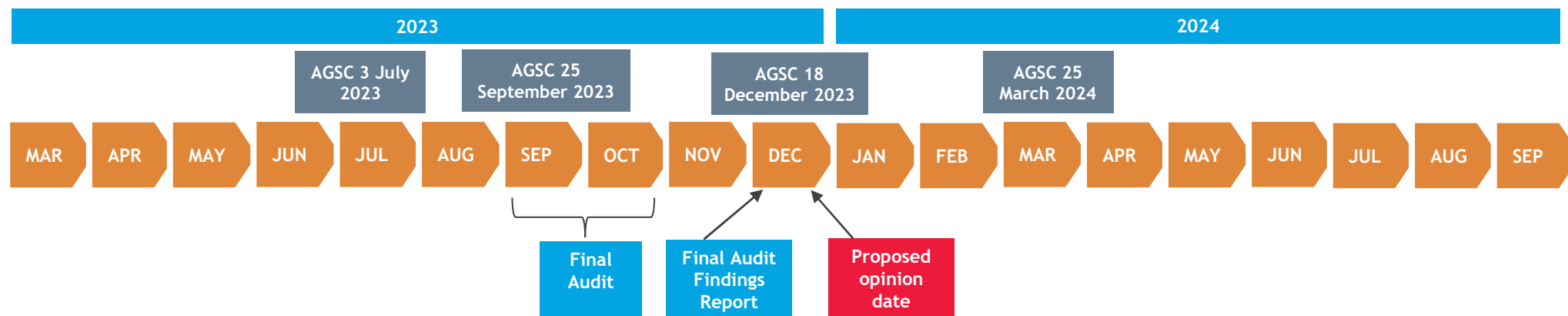
### WORK TO COMPLETE

- ▶ Audit team to write up results and conclusions of final testing completed on Infrastructure issue
- ▶ Finalise clearance of points raised from Manager, Partner and EQR review
- ▶ Remaining elements of Use of Resources assessment

### ISSUES TO RESOLVE

- ▶ Any issues arising from clearance of remaining quality review points (no issues identified to date)
- ▶ Infrastructure
- ▶ BDO ensuring remaining resource need at Manager level is delivered over the summer (August). The previously agreed deadline of reporting the completed audit for the 3 July 2023 AGSC has been missed because of competing requests on key team member's available time. Whilst completion of the 2021 audit for Essex was, and continues to be, a priority, and we have made notable progress towards this, additional pressures have been experienced during the NHS peak period. This is linked to other audit team staff retention issues which, combined, have eroded Manager capacity sufficiently to prevent us meeting the agreed reporting timeline.

# MAIN AUDIT: YEAR ENDED 31 MARCH 2022



## BDO RESOURCES TO COMPLETE >>>

### WORK COMPLETED

- ▶ Majority of planning and interim work, with the exception of the enhanced revenue risk assessment
- ▶ Started sample testing of a number of areas
- ▶ Initial analysis work to identify areas for challenge/verification within the Property, Plant and Equipment (PPE) area

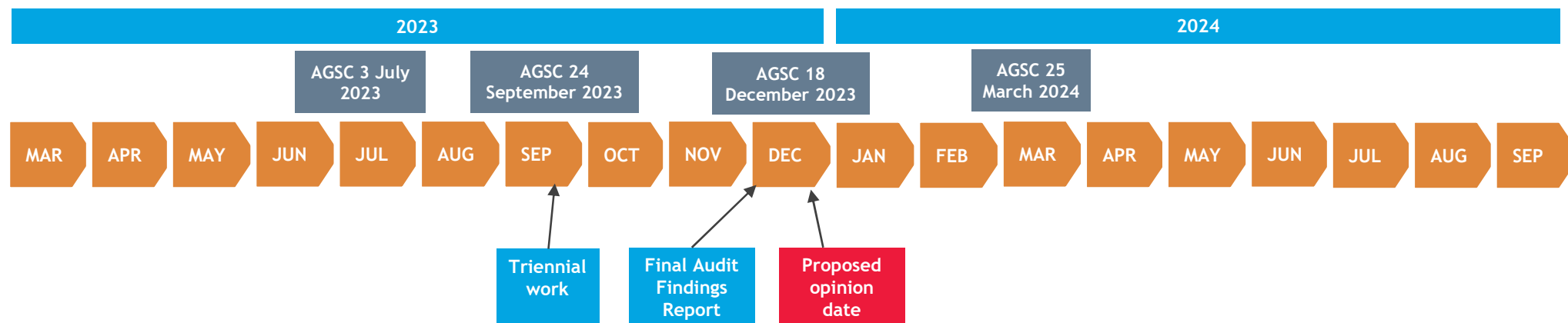
### WORK TO COMPLETE

- ▶ Completion of our revenue risk assessment procedures, which will inform our sampling strategy for income
- ▶ Completion of sample testing relating to property, plant and equipment, grant income, expenditure (both payroll and non-payroll) and cut-off
- ▶ Audit procedures relating to the valuation of land and buildings - initial queries were sent to the valuer on 20 February, with responses received on 21 March, which the audit team need to work through
- ▶ Infrastructure (pending conclusions from 2021 audit)
- ▶ All other file areas
- ▶ Manager, Partner and EQR reviews

### ISSUES TO RESOLVE

- ▶ Ensure planned completion profile can be supported
- ▶ Engagement Lead handover - David Eagles is retiring from the partnership at the end of November 2023. Given the proximity of the 2022 audit completion to the end of that time, and existing Committee reporting timing afterwards, we have decided that it is necessary to hand over the audit to a successor Key Audit Partner who will be joining BDO in October. This will allow David to continue to progress the audit in the autumn and allow for a prudent handover period.

# PENSION FUND: YEAR ENDED 31 MARCH 2022



## BDO RESOURCES TO COMPLETE >>>

### WORK COMPLETED

- ▶ The majority of the fieldwork is complete.

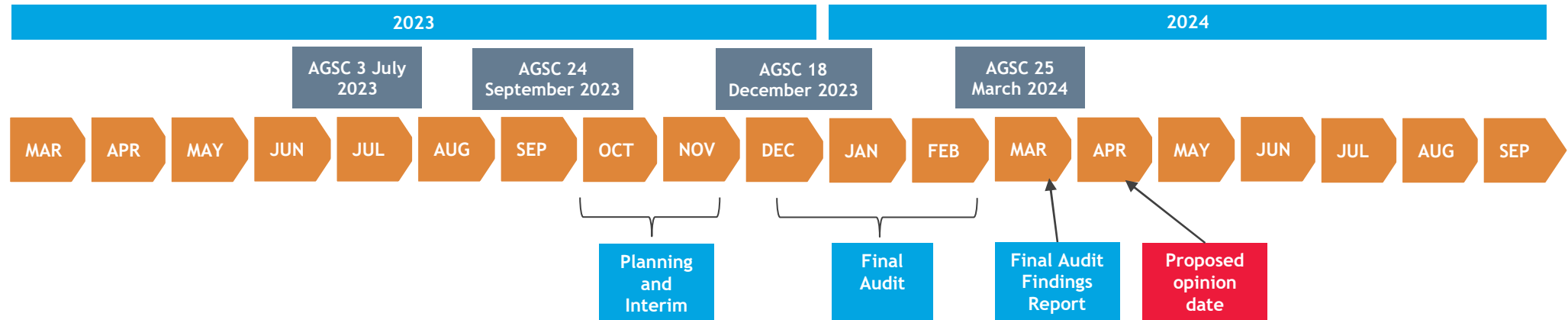
### WORK TO COMPLETE

- ▶ “Accelerated” triennial audit work which would normally be completed for the 2023 audit, but is now necessary for the 2022 audit, because the triennial review was completed at end of March 2023 and that has impacted on open “as at” 31 March 2022 pensions liability estimates. Updated IAS19 reports have been obtained, identifying material changes.
- ▶ Final reviews at Manager, Partner and EQR level of remaining work
- ▶ Completion reporting

### ISSUES TO RESOLVE

- ▶ Timings for updated 2022 Letters of Assurance to auditors of Essex Pension Fund members. Updated letters are needed where 2022 audits have not been completed because of the triennial issue.
- ▶ Engagement Lead handover - David Eagles is retiring from the partnership at the end of November 2023. Given the proximity of the 2022 audit completion to the end of that time, and existing Committee reporting timing afterwards, we have decided that it is necessary to hand over the audit to a successor Key Audit Partner who will be joining BDO in October. This will allow David to continue to progress the audit in the autumn and allow for a prudent handover period.

# MAIN AUDIT: YEAR ENDED 31 MARCH 2023



## BDO RESOURCES TO COMPLETE >>>

### WORK COMPLETED

- ▶ Yet to commence

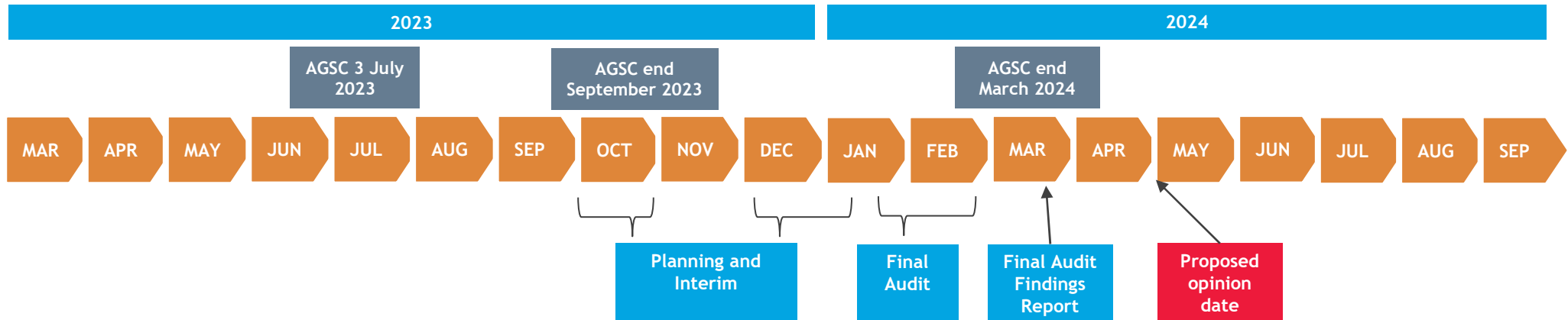
### WORK TO COMPLETE

- ▶ Yet to commence

### ISSUES TO RESOLVE

- ▶ Implications of ISA315 to planning and risk assessment, which is a fundamental change in approach and which involves significantly more work and judgement, but with a view to more granular risk assessment and more focused risk work.
- ▶ Yet to commence

# PENSION FUND: YEAR ENDED 31 MARCH 2023



## BDO RESOURCES TO COMPLETE >>>

### WORK COMPLETED

- ▶ Yet to commence

### WORK TO COMPLETE

- ▶ Yet to commence

### ISSUES TO RESOLVE

- ▶ Timings for Letters of Assurance to auditors of Essex Pension Fund members
- ▶ Implications of ISA315 to planning and risk assessment, which is a fundamental change in approach and which involves significantly more work and judgement, but with a view to more granular risk assessment and more focused risk work.
- ▶ Work yet to commence



FOR MORE INFORMATION:

**AUDIT PARTNER: David Eagles**

Mobile: 07967 203431

Email: david.eagles@bdo.co.uk

BDO LLP, a UK limited liability Partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a Partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © June 2023 BDO LLP. All rights reserved. Published in the UK.

**[www.bdo.co.uk](http://www.bdo.co.uk)**

