

1. INTRODUCTION

- 1.1. This report explains the reasons for deferral of completion of the audit of the Council's 2019/20 Statement of Accounts.

2. BACKGROUND

- 2.1. The Council is required to publish its unaudited Statement of Accounts by 31 May each year. The audited Statement of Accounts should be published by 31 July each year or, where the audited Statement of Accounts is not yet available on this date, a statement explaining why this is the case.
- 2.2. In mid March 2020, MHCLG announced a deferral of the accounts publication deadline (also referred to as the "audit deadline", although there is no, and cannot be a, statutory deadline imposed for auditors issuing an opinion) to 30 September 2020. In early April 2020, MHCLG announced that the deadline for publication of the audited 2019/20 Statement of Accounts would be pushed back further to 30 November 2020, with the draft accounts due by 31 August 2020, recognising the impacts of the Covid-19 pandemic.
- 2.3. Following the original announcement, the Council assessed the potential impact of Covid-19 arrangements on accounts preparation and we agreed with the Council on 27 March 2020 that if the Council could provide a draft Statement of Accounts by 30 June 2020, our audit fieldwork would be rescheduled backwards and planned to be undertaken in July and August. Sign-off of the Statement of Accounts would then take place by the end of September 2020.
- 2.4. The Council provided us with the unaudited Statement of Accounts and supporting working papers at the end of June 2020 in accordance with the revised agreed timetable. We commenced our audit work at the start of July. However, a number of factors have resulted in our fieldwork continuing beyond the end of August 2020, making completion of the audit by the end of September 2020 unfeasible. The next section of this report describes these factors.

3. WHAT HAS CONTRIBUTED TO THE DELAY?

- 3.1. The booked resource for completion of the audit has been eroded to the extent that, whilst we can still complete the vast majority of our work by the end of September 2020, we cannot guarantee that our full and necessary audit quality arrangements will be complete, and so will not be in a safe position to issue our audit opinion.
- 3.2. BDO will not compromise on the quality of our audits and so it was necessary to communicate this position as early as we could to Management to enable alternative arrangements and timelines to be agreed. We communicated this position to the Chief Accountant on 26 August 2020 and followed this up with a direct discussion with the Executive Director Finance and Technology on 7 September 2020.
- 3.3. There is no single incident that has caused our planned profiled resource input to be reduced to the extent to which it has impacted on our completion of the audit to the end of September 2020 date. However, the following elements have cumulatively impacted on the availability of resource in July and August which we were unable to compensate for until September, which is unfortunately too late to mitigate the impacts and still achieve the planned delivery:
 - **NHS deadlines:** To reflect Covid-19, deadlines were pushed back from end May to 25 June 2020. Nationally, auditors were pushed right up to (and, in some cases, beyond) the later deadline because of significant delays in both the NAO-commissioned valuer expert report from Gerald Eve (only received 18 June 2020, so 3 weeks later than anticipated), which was key to Provider audits, and a controls assurance report on GP payments (which arrived late on 24 June 2020, a month late), which was key to Commissioner audits. These delays, both the general Covid-19 logistics and efficiency issues (see also below)

and also the late key assurance reports, impacted on the very early phases of our local government portfolio audit work, with a consequent ripple effect to the July Essex planned work - whilst staff worked long hours to try and catch up, there was still a residual impact by July.

- **Remote working due to Covid-19:** Unfortunately, remote working is making things take longer to complete than has previously been the case. There are a variety of factors, including remote communication (which is less efficient and effective than simply talking face to face with finance staff to discuss/explain/resolve issues) and the lack of “live” resolution of issues arising and team supervision. Whilst again not individually significant, the cumulative impact erodes planned resourcing. We understand that all firms are experiencing this and PSAA has coordinated communications with MHCLG on this issue. As a final point of clarification, there are genuine benefits to audits of *some* remote working (i.e. it is not necessary to be physically on site for the whole audit), but the Covid-19 scenario has prevented *any* on site working, and it is this that has caused the problems.
- **Other issues:** These have included days “lost” due to regulator-required mandatory professional training that was scheduled to take place during July after we had agreed the deferred timetable and, in one case, the departure of one member of staff at relatively short notice. In this latter case, we were able to make compensating resource arrangements, but not to the original profiling.

3.4. The combined effect of the above factors resulted in our audit fieldwork not being as far progressed by the end of August as originally planned. In order to bring our audit procedures to completion as soon as possible, we have secured additional resource in the second half of September to make up for the shortfall caused by the reasons stated above.

4. NEXT STEPS

- 4.1. The audit team continue to work closely with the Council to progress procedures and clear queries arising from our audit work. The Senior Audit Manager and Chief Accountant meet on a weekly basis to discuss progress and outstanding issues (as they have done since early July).
- 4.2. We intend to substantially complete our fieldwork by the end of September 2020. Once our fieldwork is complete, there are a number of internal quality control processes which must be undertaken before we are able to conclude the audit and issue our opinion.
- 4.3. To ensure that these quality control processes can be completed and to allow sufficient lead times for reporting to the Audit, Governance and Standards Committee, whilst ensuring the 30 November 2020 deadline is met, our preferred timing for sign-off would be mid-November 2020.
- 4.4. Following completion of the audit, we will hold debriefs both internally and with the Council’s finance team to discuss what worked well and what could be improved.
- 4.5. Needless to say, we regret the need to defer the date for completion of the audit, but we have not been able to mitigate against the lost time to the original profile of delivery and, because we are absolutely committed to delivering the highest quality audit to the Council, the only option is to defer to enable all necessary quality control processes to be fully completed. The revised target date, however, remains within the statutory deadline set by MHCLG.