

Agenda item 5
AGS/24/22

Report title: Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 31 October 2022	For: Noting
Enquiries to: Nicole Wood, Executive Director, Corporate Services (nicole.wood@essex.gov.uk) or Christine Golding, Chief Accountant (christine.golding@essex.gov.uk)	
Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 The Audit, Governance and Standards Committee has responsibility for approving the Council's Annual Statement of Accounts and for receiving and considering related reports issued by the Council's External Auditor.
- 1.2 The purpose of this report is to present an update by the Council's External Auditor, BDO LLP (BDO) (as appended), on the status of the external audits for the 2020/21 and 2021/22 financial years (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 That the Committee notes:
 - The reasons for the further delay to completion of the audit for 2020/21.
 - The external auditor's current plans for undertaking the audits of the Council and Essex Pension Fund for 2021/22.
 - The external auditor's indicative timelines for reporting to the Committee on completion of the 2020/21 and 2021/22 audits.

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:

	2020/21 Accounts	2021/22 Accounts
Produce the draft Statement of Accounts and present them for external audit	31 July 2021	31 July 2022
Make the draft accounts available for public inspection for a period of 30 working days	To commence no later than 1 August 2021	To commence no later than 1 August 2022
Publish final, audited accounts	30 September 2021	30 November 2022

4. 2020/21 external audit

- 4.1 The draft (unaudited) Statement of Accounts for 2020/21 was presented to the Audit, Governance and Standards Committee on **28 June 2021 (AGS/13/21)**, one month ahead of that year's statutory deadline for production of the draft accounts. The Executive Director, Corporate Services certified the draft Statement of Accounts on **30 June 2021** and released the Accounts for external audit and for public inspection on **1 July 2021**.
- 4.2 For reasons already well reported to the Committee, it has not yet proved possible for BDO to finalise the 2020/21 audit, although BDO did present draft audit completion reports to the Committee on **21 March 2022** for both the Council (**AGS/12/22**) and Essex Pension Fund (**AGS/11/22**).
- 4.3 BDO explain, in the appended report, that they now anticipate being able to draw the 2020/21 audit to conclusion in January 2023 (i.e. subject to there being national resolution on the infrastructure 'issue' by December 2022). If this proves possible, it will mean that the Committee can consider any matters raised by the External Auditor in their final Audit Completion Reports and approve the updated draft of the 2020/21 Statement of Accounts at its meeting in **January 2023**.

5. 2021/22 external audit

- 5.1 In relation to the 2021/22 financial year, the draft (unaudited) Statement of Accounts was presented to the Audit, Governance and Standards Committee on **25 July 2022 (AGS/21/22)**. The draft Statement of Accounts was released for external audit and for public inspection on **1 August 2022**.

5.2 BDO report that they have largely completed their fieldwork related to their external audit of the Essex Pension Fund, and that they expect to undertake their fieldwork related to their audit of the Council in the run up to Christmas 2022, with their quality review processes taking place in January 2023.

5.3 BDO anticipate being able to complete their 2021/22 audit in time to present their findings to the Committee on or before **27 March 2023**.

6. Policy context and Outcomes Framework

6.1 The annual Statement of Accounts summarise the financial performance and financial position for the Council at the end of each financial year. As such, the Accounts provide a financial representation of activities against the corporate plan.

7. Financial Implications

7.1 As previously reported, it has been necessary to retain ongoing access to the former 'TCS' corporate systems for the purpose of seeing out the 2020/21 audit. TCS was due to be de-commissioned following 'go live' of the 'My Oracle' Corporate System in October 2021.

7.2 The cost of retaining access to this system has amounted to circa **£330,000** so far, but access to the system has now been secured for a further twelve months, at a reduced fee of **£4,000** per month.

8. 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.

9. Staffing and other resource implications

9.1 It has proved challenging to support the 2020/21 external audit over such a prolonged period, and it may also be difficult to support the 2021/22 external audit, given that much of the audit fieldwork will be undertaken much later in the current financial year than would usually be the case.

9.2 Officers will nevertheless endeavour to support the external auditor to achieve the target dates for completion of the 2020/21 and 2021/22 audits.

10. List of appendices

- 10.1 **Appendix A** – Report by BDO LLP on the status of the audits of the Council and Essex Pension Fund for the 2020/21 and 2021/22 financial years.

11. List of Background Papers

- 11.1 Previous related reports to the Audit, Governance and Standards Committee:

- Draft Statement of Accounts and Annual Governance Statement 2020/21 (**28 June 2021 – AGS/13/21**).
- Delay to completion of the External Audit of the Council's 2020/21 Statement of Accounts (**27 September 2021 - AGS/18/21**).
- Further delay to completion of the external audit of the Council's 2020/21 Statement of Accounts (**13 December 2021 - AGS/23/21**).
- 2020/21 draft Audit Completion Report for the Essex Pension Fund (**21 March 2022 - AGS/11/22**).
- 2020/21 draft Audit Completion Report for Essex County Council (**21 March 2022 - AGS/12/22**).
- Update on the 2021/22 Accounts and External Audit (**27 June 2022 – AGS/14/22**).
- Draft Statement of Accounts and Annual Governance Statement 2021/22 (**25 July 2022 – AGS/21/22**).