

Report title: Further delay to completion of the external audit of the Council's 2020/21 Statement of Accounts	
Report to Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 13 December 2021	For: Information
Enquiries to Nicole Wood, Executive Director, Corporate Services email nicole.wood@essex.gov.uk Tel. 07946 705816 or Christine Golding, Chief Accountant email christine.golding@essex.gov.uk Tel. 03330 138401	
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 further 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 further delay to completion of the audit for 2020/21, as set out in the appended report.
 - The intention to now present the Audit Completion Reports for 2020/21 for the Council's and Essex Pension Fund's financial statements to the Committee on **17 January 2022**, and to ask the Committee to approve the 2020/21 Statement of Accounts for publication on that date too.

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 The draft (unaudited) Statement of Accounts for 2020/21 was presented to the Audit, Governance and Standards Committee on **28 June** (AGS/13/21), one month ahead of this year's statutory deadline for production of the draft accounts. The Section 151 Officer certified the draft Statement of Accounts on **30 June** and released the Accounts for external audit and for public inspection on **1 July**.
- 3.4 BDO had initially indicated their intention to report the results of their 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, BDO advised the Council in mid-July that it would no longer be feasible to complete the audit by this date.
- 3.5 BDO advised the Committee, on **27 September 2021 (AGS/18/21)**, that they anticipated 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**. This did not prove possible, and the Committee meeting was rescheduled to **13 December 2021** (in line with BDO's revised expectations for completion of the audit).
- 3.6 For the reasons noted in the attached report from BDO, it has not proved possible to finalise the audit in time to report the results to the Committee on **13 December 2021**. As noted in the auditor's report, the audit work is nearing completion now though. It is therefore now intended to present the Audit Completion Reports for the Council's and Essex Pension Fund's financial statements to the Committee on **17 January 2022**, at which stage the Committee will also be asked to approve the 2020/21 Statement of Accounts for publication.
- 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 has been necessary to secure ongoing access to the former 'TCS' corporate systems for the purpose of seeing out the 2020/21 audit (at a cost of **£38,000** for January 2022). TCS was due to be de-commissioned following 'go live' of the 'My Oracle' Corporate System in October 2021.
- 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 It has proved challenging to support the external audit over such a prolonged period, not least because it has now extended into the time when other finance related activities need to take priority (such as work associated with setting the annual budget and planning for closure of the 2021/22 accounts).
- 7.2 Officers have nevertheless continued to support the audit process, and 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 status of the audit and the reasons for a further delay to completion of the audit of the Council's 2020/21 Statement of Accounts.

9. List of Background Papers

- 9.1 None