

Agenda item 15

Report title: Annual Audit Letter for year ending 31 March 2020	
Report to: Council	
Report author: Nicole Wood, Executive Director, Finance and Technology and Paul Turner, Director, Legal and Assurance	
Date of meeting: 25 May 2021	For Approval
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Divisions affected All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to present the External Auditor's Annual Audit Letter for the year ending 31 March 2020 to the Council, following its consideration by the Audit, Governance and Standards Committee on 22 March 2021.

2. Recommendations

- 2.1 That Council notes the annual audit letter appended to this report.

3. Audit of 2019/20 Accounts

- 3.1 As a large public authority the Council spends a significant amount of public money on delivering public services. In order to demonstrate that the Council has accurate accounts and can demonstrate value for money in delivering services its Council's accounts are subject to external audit by external auditors appointed by Public Sector Audit Appointments, a company owned by the Local Government Association. The external auditors for the 2019/20 financial year were BDO LLP.
- 3.2 BDO's audit of the 2019/20 accounts was delayed owing to the COVID-19 situation, meaning that the Council's Audit, Governance and Standards Committee was unable to approve the accounts until 30 November 2020 which was the day of the statutory deadline. ECC is in a better position than many local authorities whose external auditors did not complete the audit by the deadline.
- 3.3 At that time it was hoped that the annual audit letter would have been issued by BDO in time to be reported to the Council meeting on 23 February 2021,

but regrettably this proved not to be the case and the letter was issued on 5 March 2021.

- 3.4 The Annual Audit Letter is appended to this report. Its purpose is to communicate the key issues arising from their audit work for 2019/20 to Members, and to other key stakeholders.
- 3.5 The Annual Audit Letter summarises the conclusions from the external audit work related to 2019/20, including that:
- i. **Unmodified opinions** were issued in relation to the Council's financial statements and those of the Essex Pension Fund, meaning that BDO consider that the financial statements:
 - Gave a true and fair view of the financial position of the Council and the Essex Pension Fund as at 31 March 2020, and of the expenditure and income for the year then ended; and.
 - were properly prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
 - ii. An **unmodified conclusion** was issued on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, which means that BDO consider that in all significant respects, the Council had proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

4. **Why the annual audit letter is being sent to full Council**

- 4.1 The Annual Audit Letter is considered by the Council's Audit, Governance and Standards Committee every year and is published on the ECC website, but in previous years it hasn't been reported to a meeting of the full Council.
- 4.2 A review into the audit of local government accounts undertaken by Tony Redmond was published in Autumn 2020. This made a number of recommendations to central government and three recommendations to local authorities.
- 4.3 ECC already complied with two of the three recommendations; by appointing an independent member to the Audit Governance and Standards Committee and having the facility for the Council's statutory officers to meet with the external auditor.
- 4.4 The third recommendation was that the annual audit letter is reported to a meeting of the Council. This report is the Council complying with that recommendation. The benefit of reporting to full Council is that any issues raised by the external auditor are directly sent to all councillors who have an opportunity to raise any issues or concerns that they may have.

4.5 The intention is to report the annual audit letter to Council every year.

5. Financial Implications

5.1 There are no specific financial implications associated with this report.

6. Legal Implications

6.1 The annual audit letter is not required by law to be reported to full Council but it is good practice for it to do so. The Council is able to make recommendations to the Cabinet or to the Leader if it wishes to do so.

7. Equality and Diversity implications

7.1 There are no equality and diversity implications associated with this report which relates to the external audit of the County Council's accounts.

8. List of appendices

Appendix A – Annual Audit Letter for the year ending 31 March 2020.

9. List of Background Papers

None.