

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	16 June 2021		
TITLE:	<b>Update on Audit Progress and Timetable</b>		
TYPE OF REPORT:	For Information		
PORTFOLIO(S):	Finance - Councillor Mrs A Dickinson		
REPORT AUTHOR:	Michelle Drewery		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

<b>PURPOSE OF REPORT/SUMMARY:</b>
To update members on various audit workstreams, timetable and progress which impact on timescales for the Audit Committee workplan.
<b>RECOMMENDATIONS:</b>
That members of the Audit Committee note the contents of the report.
<b>REASONS FOR RECOMMENDATIONS:</b>
To ensure Audit Committee are informed on latest developments and progress with Audit deliverables.

## 1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 (“the 2015 Regulations”) set out detailed requirements for local authorities in relation to its annual audit and accounting processes.
- 1.2 Audit Committee approved the final Statement of Accounts for 2018/2019 for the council at its meeting of 25 January 2021. Consequently, this led to a delay in commencing the audit of the Statement of Accounts for 2019/2020 and this is set to have further consequences going forward. This report sets out the current status of audit progress, estimated revised timetable alongside any additional implications.
- 1.3 In response to the ongoing pandemic, the Secretary of State has also set out some changes in legislation around the timeframe. The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021. Details of these changes are set out in more detail at section 4.

## 2. Statement of Accounts 2018/19 Audit Fees

- 2.1 For audits of the accounts from 2018/19, PSAA carried out a tender process to appoint an auditor to relevant principal local government authorities that opted into its national scheme. Appointments are made for the duration of a five-year appointing period. The current appointing period covers the audits of the accounts for 2018/2019 to 2022/2023. Under this tender process, EY were confirmed as the auditor for the Council during this period. The audit of the financial statements for 2018/2019 was

carried out and concluded under this contract. The scale fees for the audit are set by Public Sector Audit Appointments (PSAA) and for 2018/19 these are published as £39,494.

2.2 At the Audit Committee meeting of 25<sup>th</sup> January 2021, members were aware that the audit had suffered delays and complications throughout and that the final cost of the audit for 2018/2019 had not been determined at that time.

2.3 The budgeted hours for completing the audit were 1,200 hours. However, the number of additional hours undertaken by EY to complete the audit were 1,150 equating to a total of 2,350 hours overall. Following consultation with the Section 151 Officer the total additional hours charged were reduced by circa 313 hours resulting in an additional cost of £49,296 bringing the total cost of the audit to £88,790. A breakdown of the additional work and associated cost is shown below:

	<b>Additional Fee £</b>	<b>Fee £</b>
Original Scale Fee (PSAA)		£ 39,494
Additional work:		
1. Going Concern assessment	£ 3,110	
2. Accounting Treatment for NWES	£ 4,741	
3. Value for Money – Governance & Monitoring	£ 4,691	
4. Value for Money – Financial Resilience	£ 2,367	
5. Group Accounting	£ 4,306	
6. EY Portal	£ 4,481	
7. Debtors and Creditors Listings	£ 1,102	
8. IFRS 9 & 15	£ 2,115	
9. PPE Valuation	£ 8,385	
10. Annual Fraud Letters	£ 492	
11. Accounts Template Issues	£ 1,666	
12. Pensions Risk, Valuations and McCloud	£ 2,997	
13. Reduced Materiality	£ 4,252	
14. Other Delays, Quality Issues and Errors	£ 4,591	
Additional Audit Fee Total	<u>£ 49,296</u>	£ 49,296
<b>TOTAL AUDIT FEE FOR 2018/19</b>		<b>£ 88,790</b>

2.4 It should be noted that the budget provision for audit fees was increased to £100,130 during 2020/2021 to accommodate an estimated increase in the fees. However, confirmation of the final fee for the audit of the Housing Benefit Subsidy Claim is currently outstanding. The original quote for this work was £20,475 plus expenses which will result in a shortfall of £9,135 against the budget estimate.

2.5 It is understood that there were delays in the completion of over 200 of the 487 local public body accounts for 2018/19 and that EY are not the only audit firm experiencing difficulties in resourcing in order to fulfil its audit arrangements within the expected timescales.

### **3. Statement of Accounts 2019/20 Update**

- 3.1 Following the completion of the Statement of Accounts for 2018/19, there were a number of amendments required to the published draft Statement of Accounts for 2019/2020. This has since led to further delays in providing the auditors with the necessary information on which to progress the audit thereby leading to a pause in the current audit timetable.
- 3.2 EY have advised that they will have one resource available to progress some elements of the audit in the week commencing 31 May 2021 but are then not able to resource a full team until week commencing 25<sup>th</sup> October 2021. It should be noted that the ongoing nature of the audit process continues to significantly impact resources in the finance team as well as other teams across the council.
- 3.3 The changing timescales for completion of the audit have been incorporated into the Audit Committee work programme which is reported separately to the Committee. These are dependant on the audit being completed to the timescales given in this report.

### **4. The Accounts and Audit (Amendment) Regulations 2021**

- 4.1 In addition to the changes locally on the Audit timetable, there has also been confirmation of the changes in legislation. The Accounts and Audit (Amendment) Regulations came into force from 31 March 2021. These amendments are set out below and impact on the financial years 2021/2022 and 2022/2023:
- The period for the exercise of public rights to inspect the accounts normally must include the first 10 working days of June in the financial year immediately following the financial year to which the statement of accounts relates. For the accounts relating to financial years 2020/2021 and 2021/2022, the Regulations remove the reference to the first 10 working days of June to require instead that the public inspection period must have started by the first working day of August.
  - Under normal legislation timescales, authorities are required to publish the audited statement of accounts and other documents by 31 July in the financial year immediately following the financial year to which the documents refer. For the accounts relating to the financial years 2020/21 and 2021/22, the deadline is amended to 30 September 2020.
- 4.2 An explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government to the Accounts and Audit Amendment Regulations 2021 and is attached as Appendix A for further information.

### **5. Statement of Accounts 2020/2021 Audit Timescales**

- 5.1 The finance team are currently working on closedown for the financial year 2020/2021 and are working to the revised deadline of publishing a draft Statement of Accounts for public inspection on 1 August 2021 in accordance with the amendments as set out in section 4.

- 5.2 EY have confirmed the timetable for their audit of the council's financial statements for 2020/2021 will take place during the period 6 December 2021 – 24 January 2022. This falls outside the dates as set out in the amended regulations which require the audited accounts to be published by 30 September. It should be noted that we are one of sixteen authorities on the EY timetable that will be impacted by this. It is understood that other
- 5.3 There is also a risk that if the 2019/2020 financial statements are not approved by then, that the timescales for this audit will need to be revised accordingly having further implications for resources and capacity for officers across the council.

## **6. Financial Implications**

- 6.1 The known financial implications are set out in the report. However, there will be additional costs to the current audit as a result of the delays set out in the report. These costs are not known at this time. Further updates will be reported as information becomes available.
- 6.2 As of April 2021, PSAA introduced a scale fee variation process. This is where PSAA sets the fee scale on an annual basis and publishes the scale fee for each individual audited body. If the auditor subsequently considers that additional work is required that is not provided for in the scale fee for an individual body, a fee variation proposal can be submitted to PSAA. This is set out in the legal framework for audit fees and variations, in the Local Audit (Appointing Person) Regulations 2015 ('the Regulations'). Regulation 17(2) provides for the auditor to propose to PSAA (as the Appointing Person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale.
- 6.3 The latest scale fee as published by PSAA is for 2021/2022 and is £39,494. It is expected that a fee variation will be proposed in respect of 2019/2020 and subsequent years. Further updates will be reported as information becomes available.

## **7. Any other Implications/Risks**

- 7.1 Other implications and risks are set out in the report.

## **8. Equal Opportunity Considerations**

- 8.1 None

## **9. Background Papers**

[The Accounts & Audit Regulations 2015](#)

[The Accounts & Audit Regulations \(Amendment\) 2021](#)

[List of auditor appointments and scale fees – PSAA](#)

[PSAA fee variation process – PSAA](#)

