

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	20 June 2022		
TITLE:	<b>Update on Audit Progress and Timetable</b>		
TYPE OF REPORT:	For Information		
PORTFOLIO(S):	Cllr A Dickinson, Portfolio Holder for Finance		
REPORT AUTHOR:	Michelle Drewery, Assistant Director Resources		
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 In response to the pandemic, the Secretary of State set out 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 2.
- 1.3 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 continues to have further consequences on future audit timescales. This report sets out the current status of audit progress, estimated revised timetable alongside any additional implications.

## 2. The Accounts and Audit (Amendment) Regulations 2021

- 2.1 The Audit Committee were previously advised of changes in the Accounts and Audit (Amendment) Regulations which came into force from 31 March 2021. This is a reminder of those changes which 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.

2.2 In December 2021, Department for Levelling Up, Communities and Housing (DLUHC) set out a number of commitments to improve local audit delays. This included a commitment to extending the deadline for publishing audited local authority accounts to 30 November 2022 for 2021/2022 accounts, then 30 September for the following 6 years, beginning with the 2022/2023 accounts. This will need to go through legislation before it can be implemented.

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

- 3.1 Following the completion of the Statement of Accounts for 2018/19 in January 2021, there were a number of amendments required to the published draft Statement of Accounts for 2019/2020. This led to a delay in providing the auditors with the necessary information on which to progress the audit thereby leading to a pause in the audit timetable.
- 3.2 EY have been working with the finance team to progress the audit at various stages throughout the financial year but it is not yet concluded. It is fair to say there have been resourcing issues in terms of capacity as well as timing on both sides. In its annual report published 5 April 2022 the Public Sector Audit Appointments Authority reports that 45% of audits were completed on time for 2019/2020 and this reduced to only 9% for the 2020/2021 audits. It is understood that we are one of nine of authorities in the east region where audits have not been concluded for 2019/2020. Data available on the National Audit Office Website shows this to be similar to other parts of the country too.
- 3.3 Plans are in place for the remaining work on the Audit of the Statement of Accounts for 2019/2020 will be undertaken alongside the audit of the 2020/2021 accounts from 18 July to 27<sup>th</sup> August. It is therefore expected that both will be presented for approval by Audit Committee on 26 September 2022.
- 3.4 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.
- 3.5 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 dependent on the audit being completed to the timescales given in this report.

#### **4. Statement of Accounts 2020/2021 and 2021/2022 Audit Timescales**

- 4.1 The Draft Statement of Accounts for 2020/2021 were due to be published by the 1<sup>st</sup> working day in August (as set out in paragraph 2.1. These statements were finally published on 5 November 2021. The cause of the delay was a combination of additional work required to take account of amendments emerging during the audit of the 2019/2020 Statement of Accounts as well as resourcing issues.
- 4.2 EY have set out their proposed timetable for the audit of the Statement of Accounts for 2020/2021 to take place during the period 18 July 2022 – 26 August 2022 and for 2021/2022 to take place 20 February 2023 - 31 March 2023. Both fall outside the dates as set out in the amended regulations (as set out in Section 2 of this report) which require the audited (final) accounts to be published by 30 September. As stated in paragraph 3.2 only 9% of 2020/2021 accounts have been audited on time.
- 4.3 There is also a risk that if the audit for 2020/2021 is delayed, the timescales for 2021/2022 will need to be revised accordingly having further implications for resources and capacity for officers across the council. However, we continue to liaise with the External Auditor around these planned dates to identify resources on both sides for continuous progress.

#### **5. Public Sector Auditor Appointment (PSAA) Update**

- 5.1 At the meeting of 22 November Audit Committee approved a recommendation to Council to opt into the PSAA sector-led arrangement for the appointment of External Auditors for the five-year period from 2023/2024. This was endorsed by Cabinet on 11 January 2022 and approved by Council on 25 January 2022.
- 5.2 Following the deadline closure, it is now known that 470 of 475 (99%) of eligible bodies have opted into this national scheme.
- 5.3 PSAA will now undertake the procurement of audit services. The PSAA published timelines are as follows:
- publish the process for making individual auditor appointments for opted-in bodies from 2023/24 during spring/summer 2022;
  - consult with opted-in bodies on proposed auditor appointments during the late summer/autumn 2022; and
  - confirm all auditor appointments by 31 December 2022.
- 5.4 Further information on the background and process can be found at the following link: [Appointing period 2023/24 – 2027/28 – PSAA](#)

#### **6. Internal Audit Manager Provision**

- 6.1 On 15<sup>th</sup> March 2021 Audit Committee were presented with options for Internal Audit Manager provision following the end of the shared arrangements with Fenland District Council on 31 May 2021. The Committee recommended entering into an

arrangement with Eastern Internal Audit Services for this provision which was endorsed by Cabinet on 16th March 2021.

6.2 The contract for the provision of services from Eastern Internal Audit Services is with South Norfolk Council and was formally entered into on 9 November 2021 (although work had commenced prior to this) which allows for two officers at the council's disposal to deliver this function as part of the agreement.

6.3 The Audit Manager has since been introduced to the Audit Committee and Management Team and is fully engaged in the work of the team and service delivery.

## **7. Financial Implications**

7.1 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.

7.2 The review of effectiveness of External Audit and transparency in financial reporting in Local Authorities recommend a review of the current fee structure. The Government has responded to this by offering a Local Audit Grant to LA Bodies to help meet the anticipated rise in Audit fees. The Council has been allocated £20,359 of this grant for 2021/22. In addition to this, Government has confirmed it is providing local bodies with £15 million additional funding per annum for the next 3 years – totalling £45 million over the Spending Review period. This will provide local bodies with the certainty that they will be supported to implement the changes needed to respond to new auditing requirements and Redmond's recommendations.

7.3 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.

7.4 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.

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

8.1 Other implications and risks are set out in the report.

## **9. Equal Opportunity Considerations**

9.1 None

## **10. 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](#)

[Cabinet Meeting - 11th January 2022](#)

[Council Meeting - 25th January 2022](#)

[Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](#)