



THURROCK COUNCIL

External Audit Update

14 February 2024

EXECUTIVE SUMMARY



REPORT PURPOSE

This report provides the Standards and Audit Committee (SAC) with an update on the progress of our audit.

The paper also provides an update on wider developments in respect of a recently published consultation to proposed changes to the Accounts and Audit Regulations 2015 and the Code of Audit Practice, in connection with addressing the wider local audit backlog.



AUDIT PROGRESS

We presented our revised Audit Planning Report to the SAC in November 2023. Since then, we have resumed our fieldwork, with a particular focus on the following areas:

- Areas highlighted as significant risks in our audit plan
 - Valuation of non-current assets - heritage assets
 - Classification of investments
 - Minimum revenue provision
 - Infrastructure assets
 - PPE valuations - RAAC
 - Intangible assets - Software as a Service
- Performance of additional fieldwork where methodology and regulatory expectations have increased since the time the work was originally undertaken

UPDATES ON SPECIFIC AREAS

Since presenting our revised audit plan in November 2023, our primary areas of focus have been as follows:

Valuation of non-current assets (SRMM*) - heritage assets

The Council have reviewed their heritage assets balance and reviewed the accounting policy for heritage assets, proposing a reclassification of two of these to operational assets and the remaining assets to be held at a nominal, restated value.

BDO have reviewed the assumptions behind this exercise and are reviewing the Council's quantification of the prior period adjustment.

Classification of investments (SRMM)

As noted in our revised audit planning report, there is a significant risk of material misstatement in relation to the classification of investments. While classification has now been provisionally agreed for all of the Council's material investments, as at the time of writing this report, there remain two investments for which we are awaiting further information from the Council in order to be able to conclude. These are material to the financial statements. On receipt of this information we will need to evaluate whether any of the new information provided impacts our conclusions.

For those assets that have been classified as fair value through profit and loss (FVTPL), the Council need to engage a specialist to appropriately value these investments.

Note that concluding on the correct classification of investments and providing appropriate valuations for these investments is necessary in order to be able to complete our work against the following other risks highlighted in our audit plan

- Valuation of financial instruments measured at FVTPL
- Carrying value of financial assets measured at amortised cost
- Financial instrument disclosures
- Minimum review provision

*Significant Risk of Material Misstatement

UPDATES ON SPECIFIC AREAS

Minimum revenue provision (MRP) (SRMM)

We have reviewed the Council's proposed retrospective changes to its MRP policy. As part of this, we challenged the Council to consider the legal basis for these changes. The Council obtained legal advice which has provisionally concluded that retrospective changes to MRP are not permitted. We are awaiting revised proposals for the Council's treatment of MRP following this information.

Infrastructure assets (SRMM)

We have reviewed the Council's assessment of infrastructure in accordance with the Statutory Instrument and the update to the Code issued in 2022, with a particular focus on useful economic lives.

While the Council's initial assessment conveyed the need for retrospective adjustment of useful economic lives, our review has challenged whether this is necessary, on the basis that the circumstances under which a prior period adjustment should be made under the Statutory Instrument are limited. The Council are currently reevaluating their position on the back of this feedback.

PPE Valuations - RAAC (RMM)

We have received the Council's assessment as to the valuation risk posed by RAAC. This concentrates on the potential impact on housing, schools and corporate assets. The Council's programme of inspections remain in progress, as does our review of the assessments performed to date. However, to date no instances of RAAC have been identified from the Council's assessments.

Intangible assets - software as a service (RMM)

The Council have reviewed their intangible assets register against the expectations of the April 2021 IFRIC decision, and have identified the need for a prior period adjustment. This reflects the fact that the implications from the IFRIC decision apply both prospectively and retrospectively.

BDO have reviewed the assumptions behind this exercise and are currently reviewing the Council's calculation of the proposed prior period adjustment.

Note that provisional findings on all the areas above remain subject to final senior review and internal clearance.

OTHER TESTING AREAS

Other testing areas

There are a number of areas where methodology and regulatory expectations have increased since the time the work was originally completed, resulting in further audit procedures.

These include

- Expenditure cut-off (bank payments)
- Expenditure cut-off (bank receipts)
- Valuation of non-current assets
- HRA assets existence
- PPE completeness
- Enhancing our understanding of key systems

We have reassessed our testing in these areas and provided the Council with additional requests for information. We are continuing to work through these as they are provided.

SECTOR UPDATE

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector.

In summary

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

More details can be seen on the link below.

<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>

We are continuing to consider and discuss with the Council the implications of these for our audit.

FOR MORE INFORMATION:

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