

10 March 2022		ITEM: 9
Standards and Audit Committee		
Audit Progress Report for the Year Ended 31 March 2021		
Wards and communities affected: All	Key Decision: Key	
Report of: Sean Clark, Corporate Director of Resources & Place Delivery		
Accountable Assistant Director: Jonathan Wilson, Assistant Director—Finance		
Accountable Director: Sean Clark, Corporate Director of Resources & Place Delivery		
This report is Public		

Executive Summary

This report details the progress of the audit for 2020/21 financial statements.

The audit field work is largely complete. However, a significant proportion of the work remains subject to review processes from senior team members. This review process has been delayed by the absence of a key team member.

This audit delay remains consistent with the wider national position and central government has written to the Council to set out proposed actions to address delays to the completion of local authority audits. Further action is being taken by CIPFA to reduce the level of audit work required in subsequent years.

1. Recommendation

1.1 That the Standards and Audit Committee note the progress of the external auditors in completing the audit of 2020/21 financial statements.

2. Introduction and Background

2.1 While good progress has been made in most areas of the audit, this work remains subject to the detailed review process. With the unexpected absence of a key member of the audit team, these reviews have been delayed and external audit are unable to issue a final audit completion report.

2.2 Thurrock Council published its draft statement of accounts by the deadline of 31 July 2021. The deadline for publication of the audited Statement of Accounts was 30 September 2021. This deadline was two months earlier than

the deadline for 2019/20 financial statements which was 30 November. Prior to the Covid-19 pandemic the deadline was 30 July.

- 2.3 External audit work covering the statement of accounts commenced in September 2021 and was expected to be completed ahead of this committee.
- 2.4 Initial planning work has also been undertaken for to support the value for money conclusion. Much of the field work is to be completed within three months following the issue of the audit opinion and is expected to be impacted by the delay.
- 2.5 The pandemic has made it particularly challenging to both produce and audit the financial statements. This has had an impact on the delivery of the audit as external audit teams have adjusted to new remote processes. This is coupled with the need to meet more challenging standards of external audit quality. This has led to more work for external audit teams especially covering accounting estimates.
- 2.6 The government has raised concerns over an unprecedented 91% of 2020/21 local audits missing the statutory deadline of 30 September and is taking action to implement measures to help tackle audit delay.

3. Issues, Options and Analysis of Options

- 3.1 The Audit Progress Report included in Appendix 1 sets out the progress to date. The Audit Progress Report will be presented by BDO.
- 3.2 The external audit field work is substantially complete in most areas of the audit. However, much of this work is pending review from the audit manager and engagement lead. Due to an unexpected absence of a key member of the audit team, these reviews have not taken place as expected and therefore external audit is unable to report a finalised position to this Committee. Officers have worked hard to support the audit process and have resolved queries quickly and effectively. Outstanding queries have been maintained to a low level throughout the audit.
- 3.3 External audit teams are grappling with the issues of working remotely with some members of the team being new to the profession and therefore require more supervision which is not always possible with remote workings. The market has been suffering generally with a shortage of experienced staff to perform local audits.
- 3.4 Each year further quality standards are placed on external auditors by the regulators or changes are made to the external auditing standards which all contribute to increased audit work and therefore compromise the meeting of the audit deadline. Extensive audit work is performed over significant accounting estimates such as the valuation of property, plant and equipment assets and pension liabilities and assets which do not have an impact on the General Fund.

- 3.5 The delay in the delivery of local authority audits is a national issue. 91% of 2020/21 local authority audits missed the statutory deadline of 30 September 2021 and 60% were still outstanding by 31 December 2021. The Council's audit position is consistent with this and it is noted that, at an audit firm level, just 8% of BDO's audits were completed by the end of Jan 2022.
- 3.6 With the absence of a key member of the team, audit completion is further delayed. We look to BDO to provide an update on this position and for a plan to be put together to achieve audit completion as soon as possible.
- 3.7 More widely concerns over audit delay have been raised by government as set out in the letters in Appendices 2 and 3. These set out some actions being taken to address the issues experienced across the sector.
- 3.8 Furthermore, CIPFA opened a consultation on two emergency proposals for updating the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom to help further alleviate the current delays in meeting audit completion deadlines. The two proposals are:
- Pausing the requirements for the professional valuation of operational property, plant and equipment assets in the 2021/22 Code and (at least) the 2022/23 Code. This would be replaced by the application of centrally determined indices.
 - Deferring the implementation of IFRS 16 which specifically applies to accounting for leases. This was set to be implemented in the 2022/23 Code, and hence a delay would free up both preparer and auditor time.
- 3.9 The impact of the proposed measures from government and CIPFA remains under consideration but concerns remain over the ability to meet the deadlines proposed for subsequent audits of local authority accounts.

4. Reasons for Recommendation

- 4.1 For the committee to note the progress of the external auditors in completing the audit of 2020/21 financial statements.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 All services and senior management have been consulted in the compilation of this document.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The level of resources and how they are allocated will affect the amounts available towards the Council's overall aims and objectives.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Sean Clark, Corporate Director of Resources & Place Delivery

The statements are largely governed by the Code. An unmodified opinion sets out independent confirmation of the Council's financial position and provides assurance over the Council's use of resources.

7.2 Legal

Implications verified by: **Mark Bowen**
Deputy Monitoring Officer

There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**
Strategic Lead Community Development & Equalities

There are no specific implications from this report.

7.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Impact on Looked After Children

There are no specific implications from this report.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- There are various working papers within Corporate Finance.

9. Appendices to the report

- Appendix 1 – Audit Progress Report
- Appendix 2 – Letter from Department of Levelling Up, Housing and Communities - Local Government Audit dated 26 November 2021
- Appendix 3 - Letter from Department of Levelling Up, Housing and Communities - Local Government Audit 18 January 2022

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