

7 July 2022		ITEM: 8
Standards and Audit Committee		
Audit Progress Report for 2020/21 External Audit		
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: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

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

Our understanding is that much of the audit field work is substantially complete with most areas of the audit being progressed. However much of the audit work is pending a review by the audit manager and audit engagement lead. With the appointment of a new audit team member to undertake the day-to-day management of the audit and to oversee the review and completion of audit procedures, audit work will restart in July with the expectation it will be completed by end of September and to be reported to this committee in October 2022.

Thurrock's audit delay is in line with the national issue being raised by government and government is taking action to get the timeliness of local audit back on track.

1. Recommendation(s)

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 The external audit field work is substantially complete with most areas of the audit being progressed. All audit work is pending a review from the audit manager and engagement lead.

2.2 Thurrock Council published its draft statement of accounts within the deadline of 31 July 2021. The deadline for publication of 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 and two months later than the deadline prior to Covid-19 pandemic.

- 2.3 External audit work covering the statement of accounts started back in September 2020.
- 2.4 Initial planning work has been undertaken for use of resources. Much of the field work is to be completed within three months following the issue of an audit opinion.
- 2.5 Covid-19 has made it particularly challenging both producing and auditing the financial statements. This has had an impact on external audit teams, as remote working does not ensure that all members of the team are able to work efficiently and effectively to ensure audit deadlines are met. This is coupled with the increased external audit quality standards by the regulatory bodies, leading to more work for external audit teams.
- 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.
- 2.7 Since the beginning of the year there has been no completion of audits for local authorities with material infrastructure assets. CIPFA had an urgent consultation on temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets which closed on 14 June 2022. These proposed changes will enable local authorities to conclude their audits.

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 with most areas of the audit being progressed. All audit work is pending a review from the audit manager and engagement lead. 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 With the appointment of a new audit team member to undertake the day-to-day management of the audit and to oversee the review and completion of audit procedures, audit work will restart in July with the expectation it will be completed by end of September and to be reported to this committee October 2022.
- 3.4 Since the beginning of the year there has been no completion of audits for local authorities with material infrastructure assets. With the closing of the CIPFA urgent consultation on temporary proposals to update the Code of

Practice on Local Authority Accounting in the United Kingdom for infrastructure assets on 14 June 2022 there is an expectation that local authorities will soon be in a position for their audits to be concluded.

- 3.5 The delays in local audit is a national issue, 91% of 2020/21 local audits missed the statutory deadline of 30 September. This improved to 20% by 30 November, 40% by 31 December and 50% by April 2022.
- 3.6 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. 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.
- 3.7 There is national recognition that public sector audits require reform to enable delivery and sustainability. The Redman review provides recommendations to help achieve this in the long term.

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**
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, or 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

Report Author:

Sean Clark

Corporate Director of Resources & Place Delivery