

<b>3 October 2024</b>		<b>ITEM: 5</b>
<b>Audit Committee</b>		
<b>BDO Progress report – Statement of Accounts and audit – 2020/21 -2022/23</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Dawn Calvert, Chief Finance Officer s151 Officer		
<b>Accountable Assistant Director:</b> Caroline May, Assistant Director Strategic and Corporate Finance.		
<b>Accountable Director:</b> Dawn Calvert – Chief Financial Officer and S151 Officer		
<b>This report is Public</b>		
<b>Version: Final</b>		

## Executive Summary

To provide an update on the recent Ministry of Housing, Communities & Local Government’s (MHCLG) proposals for amending the Accounts and Audit Regulations 2015 to clear the backlog of audits, and to put the system on a sustainable footing. It describes the Government’s proposed “backstop” arrangements, and the Council’s approach to uncompleted and outstanding 2020/21 external audit, and the external audits for financial years 2021/22 and 2022/23, which have not yet commenced.

An Audit Backlog Statement was released on 30 July 2024 now proposes a new backstop date of the 13 December 2024 for all accounts for financial years up to and including 2022/23.

BDO LLP’s report “31 March 2021 – Audit update and timeline” describes their plan to meet the backstop deadline including the challenges.

## Commissioner Comment:

N/A

## 1. Recommendation(s)

### 1.1 That Audit Committee notes and comments on the position for the outstanding external audits of the Council’s statement of accounts covering 2020/21, 2021/22 and 2022/23.

Version Control (delete as appropriate)

**Version 1** - First draft ready for DMT, SLT and Commissioner input; **Version 2** - Second Draft ready for Portfolio Holder, Leader and other Member Input; **Version 3** - Third draft for any further comments; **Version Committee** – Draft ready for submission to public committee; **Version Cabinet** – Final version ready for Cabinet/Executive decision

## 2. Introduction and Background

- 2.1 The newly elected government has released a Local Audit Backlog Statement on 30 July 2024. External auditors will be required to make modified and disclaimed opinions on accounts by the following new backstop dates that are now being proposed as follows:
- Financial years up-to-and-including 2022/23: 13 December 2024
  - Financial year 2023/24: 28 February 2025
  - Financial year 2024/25: 27 February 2026
  - Financial year 2025/26: 31 January 2027
  - Financial year 2026/27: 30 November 2027
  - Financial year 2027/28: 30 November 2028
- 2.2 The government intends to present a secondary legislation to amend the Accounts and Audit Regulations (2015) to set a series of backstop dates and a new Code of Audit Practice which together will aim to facilitate a return to timely, purposeful audits of local body accounts.
- 2.3 For financial years 2024/25 to 2027/28, the date by which Category 1 bodies which include Thurrock Council, should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts.
- 2.4 The proposed legislation will outline the following scenarios in which bodies may be exempt. For transparency, if a body is exempt, they would be required to publish an explanation of their exemption at the time of a backstop date. Bodies that are non-exempt but have failed to comply with a backstop date will be required to publish an explanation, to send a copy of this to the Secretary of State (to facilitate scrutiny) and publish audited accounts as soon as practicable.
- 2.5 Public Sector Audit Appointments Ltd (PSAA) will set scale fees and determine fee variations where the auditor undertakes substantially more or less work than assumed by the scale fee and will consult with bodies where appropriate.
- 2.6 To reduce burdens on preparers and auditors, CIPFA will make temporary changes to the Code of practice on Local Authority Reporting and the statutory deadline for draft accounts is now 30 June after the financial year end.
- 2.7 At present, the Council has published the 2020/21 draft accounts, although the audit remains uncompleted and outstanding. Council officers are working to finalise the 2020/21 audit and publish the remaining outstanding years.

## 3. Issues and Timelines

### 3.1 2020-21 Audit

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With the exception of investments, fieldwork is well progressed with testing now undergoing senior review and risk assessment. Risk assessment remains iterative and the approach may continue to evolve to reflect further developments.

- 3.2 Points arising from review are being followed up by officers of the Council who have also forwarded revised primary statements to the auditors.
- 3.3 There is anticipated qualification in relation to investments balances categorisation and valuation. The absence of a full valuation for the solar farm investment supporting the 2020/21 statement of accounts will likely lead to a form of qualified opinion.

### 3.4 **2021/22 and 2022/23 Accounts**

The expectation is that legislation supporting 'backstop' arrangements will be in place by the autumn. Across local government, expectation is that audits for these two financial years are either completed as normal or disclaimed by 13 December 2024.

- 3.5 The external auditors have stated in their report (attached at appendix 1) that they intend to disclaim Thurrock 2021/22 and 2022/23 accounts; this reflects the fact that there will not be time to obtain sufficient appropriate audit evidence before the backstop date, and as a result the auditors will not be able to determine whether the financial statements present a true and fair view
- 3.6 The auditors plan to do some scoping and planning work and also the VFM work which is still required.
- 3.7 There is a requirement for a 30 day public inspection period for each of these accounts and some exemptions to the backstop date are expected, including where material objections have been raised.

### 3.8 **VFM Update**

The work on the Council's VFM arrangements is in progress for all three open years. A significant weakness in arrangements had previously been reported in September 2023 in connection with 2021/22 and 2022/23 Chief Internal Auditor opinion. More information is included as an appendix within BDO LLP's audit update and timeline report (appendix 1).

### 3.9 **Objection**

The auditors are in the process of responding to an objection raised on the 2020/21 accounts by a member of the public. The work on this will need to be concluded before the 2020/21 or subsequent audits can be signed.

### 3.10 **Timeline**

The auditors have included in their report what they intend to work on in the coming weeks in order to meet the backstop deadline.

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### 3.11 **Audit Fees**

The council have been alerted to cost pressures with respect to audit fees due to possible additional fees on the 2020/21 audit and the increased scale fees for audits from the 2023/24 financial years. The council has taken steps to ensure that these costs are funded and doesn't contribute to the forecasted overspend.

## 4. **Reasons for Recommendation**

4.1 This an update report which informs the committee of the proposals to address the ongoing challenges in respect of the audit backlog which is a national problem.

4.2 The report also gives the committee an indication of the impact on the delivery of the outstanding audit of accounts for the council, the potential outcomes and timescales for completion of the audits.

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

5.1 N/A

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

6.1 This report is for information purposes only.

## 7. **Implications**

### 7.1 **Financial**

This report is for information purposes only.

Implications verified by: **Caroline May**  
**Assistant Director Strategic & Corporate Finance**

**9 September 2024**

### 7.2 **Legal**

This is a noting report and has no direct legal implications. The relevant statutory regulations are set out within the body of this report.

Implications verified by: **Helen Nicol**  
**Assistant Director Legal & Governance**

**17 September 2024**

### 7.3 **Diversity and Equality**

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The report provides an update on the position regarding the financial statements 2020/21 to 2022/23 and is for information purposes. There are no direct diversity and equality implications.

#### 7.4 **Risks**

N/A

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

N/A

#### 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):

- None

#### 9. **Appendices to the report**

- Appendix 1 – BDO Thurrock Council Audit Update and Timeline report

#### **Report Author:**

**Caroline May**

**Assistant Director Strategic & Corporate Finance**

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