



REPORT of DIRECTOR OF RESOURCES

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
18 NOVEMBER 2021**

UPDATE ON THE AUDIT OF THE 2020/21 ACCOUNTS

1. PURPOSE OF THE REPORT

1.1 To update members on the audit of the 2020/21 accounts.

2. RECOMMENDATION

(i) That the report be considered.

3. SUMMARY OF KEY ISSUES

3.1 At the Performance, Governance and Audit Committee meeting on 23 September 2021 an update on the delay to the audit of the statement of accounts and reasons for this was provided. Currently the audit of the accounts is still ongoing.

3.2 This year the deadline to have accounts audited by is 30 September 2021. In accordance with The Accounts and Audit Regulation 2015 the Council has published an explanation as to why the audited accounts are not available as this date has now passed.

3.3 Public Sector Audit Appointments Ltd reported in October that as at the target date of 30 September 2021 only 9% of local government bodies' 2020/21 audits had been completed.

4. ISSUES IDENTIFIED SINCE SEPTEMBER

4.1 At the last committee it was reported that no significant issues have been raised. Since then, further audit testing has identified a classification issue with how some COVID grants are recorded in the Comprehensive Income and Expenditure Statement (CIES).

4.2 Where the Council acts as an intermediary (or agent), effectively paying money on someone's behalf, these amounts should not be included in the CIES and just recorded in the Balance Sheet. Some of the COVID grants such as business support grants fall under this category and were incorrectly included in the CIES with matching income and expenditure.

4.3 As the income and expenditure matches off there is an overall nil financial impact, and the amounts can be easily removed to correct this. However, as the auditors use the gross expenditure figure to inform their testing and audit approach this has had a significant impact in their audit work due to the value of the grants (£26m).

- 4.4 The reduction this causes to the auditor's materiality level towards the end of the audit means previous audit testing methodology will need to be revisited and further samples selected. Given the work involved this will push audit completion into the new year and incur additional fees. Once an assessment of the additional work required has been undertaken the impact will be better understood.
- 4.5 At the Council's request the auditors have sent a letter in relation to this which is attached at **APPENDIX A**.

5. CHALLENGES FACED IN PREPARING THE ACCOUNTS

- 5.1 Although the audit timeframe has been moved forward from last year, the pandemic has impacted more on this year's closing process than last year's. This is due to a variety of factors:
- Consistent with the national infection rates, more staff have been impacted by the virus during this closure period.
 - The Council is still responding to the pandemic and delivering business as usual activities. For example, starting events again this year, paying business grants, supporting local businesses, COVID enforcement and guidance, additional grant funded activities, supporting vaccinations and testing.
 - Increased accounting complexities particularly around grants and the Collection Fund (Council Tax and NNDR) due to new legislation and schemes.
 - Increased volume of transactions caused by grants and COVID initiatives.
 - Additional audit work caused by increased audit requirements (e.g. value for money) and COVID.
 - Availability of audit staff caused by a national shortage and the pandemic.
- 5.2 In addition, the Council is reliant on external bodies for parts of the accounts and audit, including Essex Pension Fund. As the Council's share of the pension fund is included in its accounts there is a reliance on the Pension Fund's auditors to complete their work. At the time of writing confirmation of the conclusion of the audit of the fund has not been received.
- 5.3 Aside from the issues already listed, the small accounting team also experienced resource challenges. Two members of the team left at short notice during the preparation of the accounts including the interim who was leading on the closure and handing over. The draft accounts were still prepared on time, but this did have an impact on the preparation of the audit working papers. COVID related sickness also impacted the team during the audit.
- 5.4 The accountancy team are now fully resourced with permanent staff, in accordance with the structure. Consideration is being given by the Section 151 Officer as to any additional resourcing requirement that may be needed for the future to help build resilience and capacity.
- 5.5 The external auditors have also experienced resourcing issues. This has meant that that they have not been able to continue allocating resources to audit the outstanding items.

5.6 Audit fees proposed by Deloitte at the start of the audit were £88,580. Discussions on the fees remain ongoing and the fees go to Public Sector Audit Appointments (PSAA) Ltd to be determined once the audit is concluded, with the Council able to put their views across directly to PSAA.

6. CONCLUSION

6.1 The Council's 2020/21 accounts were not audited by 30 September 2021 and a notification is published on the Council's website explaining this is due to the impact of the ongoing pandemic on preparers and auditors of accounts.

7. IMPACT ON STRATEGIC THEMES

7.1 Producing the statement of accounts is a statutory duty.

8. IMPLICATIONS

- (i) **Impact on Customers** – None
- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – None
- (iv) **Impact on Resources (financial)** – Outlined in the report
- (v) **Impact on Resources (human)** – None
- (vi) **Impact on the Environment** – None
- (vii) **Impact on Strengthening Communities** - None

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