



**REPORT of
DIRECTOR OF RESOURCES**

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
24 MARCH 2022**

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

That the report be considered.

3. SUMMARY OF KEY ISSUES

- 3.1 At the Committee meetings on 23 September and 18 November 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 was 30 September 2021. In accordance with The Accounts and Audit Regulation 2015 the Council has published an explanation of why the audited accounts are not yet available.
- 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. By 31 December 2021 40% had been completed.

4. AUDIT PROGRESS

- 4.1 At the last committee it was reported that a classification issue with how some COVID grants are recorded in the Comprehensive Income and Expenditure Statement (CIES) had been identified. Although an overall nil financial impact, this had implications on the auditor's level of materiality and would require them to revisit their methodology and carry out additional sample testing.
- 4.2 Audit work commenced again in January 2022 with a view to bringing the accounts to this March Committee for approval. Although good progress has been made on the audit and no areas of significant concern have been identified to date, the audit has not yet concluded. Most areas have been completed but an internal review of the work for quality assurance still needs to be carried out.
- 4.3 Given the progress made and work remaining, the auditors are targeting a sign off date towards the end of April, subject to findings.

4.4 Preparations for the closure of the 2021/22 remain on track despite responding to audit request throughout the past months. The auditors have also carried out the interim audit for the 2021/22 in the normal timeframes.

5. CHALLENGES FACE 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 was responding to the pandemic while still delivering business as usual activities. For example, starting events again, 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 National Non Domestic Rates (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. This audit was delayed but has now been completed.

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 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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