



Governance and Audit Committee 18 January 2022

Item
8

Report of	Chief Operating Officer	Author	Paul Cook □ 505861
Title	External audit 2020/21 and new arrangements 2021/22 onwards		
Wards affected	All		

1 Executive Summary

- 1.1 To update the Committee on further delays to the 2020/21 audit.
- 1.2 Government announced 16 December 2021 changes to external audit from 2021/22 accounts onwards

2 Recommended Decision

- 2.1 To approve the revise 2020/21 audit timetable set out in Section 5 below.
- 2.2 To note the revised audit requirements from 2021/22 accounts onwards set out in Section 7 below.

3 Reason for Recommended Decision

- 3.1 These are statutory external audit requirements.

4 Alternative Options

- 4.1 None.

5 2020/21 Audit Timetable

- 5.1 The Council has been working with our external auditors BDO to complete the audit of the 2020/21 statement of accounts.
- 5.2 The Head of Finance published the draft Statement of Accounts on 11 June 2021. The period of public audit rights was commenced following approval of the Annual Governance Statement by the 22 June 2021 Committee. It was expected that the accounts with audit opinion would be available to the 7 September 2021 Committee.
- 5.3 At the 7 September 2021 Committee a revised timetable of accounts with audit opinion to the 23 November 2021 Committee was agreed.

- 5.4 Following delays in the audit, the accounts with audit opinion did not go forward to 23 November 2021 Committee and it was agreed with BDO to work towards the 18 January 2022 Committee.
- 5.5 Following further audit delays the audit opinion is not ready for the 18 January 2022 Committee. The Council is now working with BDO to report to the 8 March 2022 Committee.
- 5.6 Under current National Audit Office guidance BDO have three months from giving their audit opinion to make their 2020-21 use of resources judgment on the Council. The judgement is not expected to be available in time for the 8 March Committee and will need to be received in the new Municipal Year.
- 5.7 Section 6 below sets out BDO's explanation of the audit delays.
- 5.8 Staffing issues at BDO have undoubtedly impacted on the audit timetable. At 31 December 2021 there remained a number of audit requests to the Council yet to be resolved to BDO's satisfaction. It is not considered by the Head of Finance that these issues will have a material impact on the Council's financial position.

6 BDO

- 6.1 BDO will update on the 2020/21 audit at the meeting.

7 External Audit changes announced 16 December 2021

- 7.1 On 16 December 2021 the Government announced external audit changes as set out in the table.

Measure	Comments
For audit firms	
<p>FRC to publish updated Key Audit Partner (KAP) guidance by spring 2022, including new routes for an experienced Registered Individual to become a KAP</p> <p>Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants</p>	No comments
Measures relating to local bodies and quality of accounts preparation	
DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of	The Colchester allocation yet to be advised. Any additional funding likely

strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements.	to be required for increased audit fees.
CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory	Once published the proposed arrangements will be brought forward to the Committee to enable a consultation response.
DLUHC to provide via the Local Government Association sector grant for a number of targeted training events for audit committee chairs	No comments
Proposed measures relating to accounting and audit requirements	
NAO rolling over of amendments to 20/21 AGN 03 and 07 to allow for altering the timing of elements on the VfM arrangements work and enable more focus on fully delivering opinions on the financial statements	At least for 2021/22 auditors will again have 3 months from giving their opinion on the accounts to make the use of resources judgement – see table. Ideally the judgment should be simultaneous with the audit opinion.
CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with IFRS and statutory accounting principles HMT to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 22/23 onwards	Property valuations have been a complex area of preparing the financial statements. Any simplification would be welcomed.
The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 21/22	Welcomed to reduce technical detail that is of little use to accounts users.

Delaying implementation of standardised statements and associated audit requirements	No comments
Longer-term measures to help stabilise the market and address long-term supply issues	
PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24	Noted
Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts and the 30 September date for 5 years from 2023/24 – 2027/28.	This is unsatisfactory from a public accountability perspective. Revision of the deadlines does not guarantee their delivery.
NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period	Noted
Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications	No comments

Audit Element	2018-19 last year pre Covid	2020-21 Accounts (Timings extended because of Covid)	2021-22 Accounts	2022-23 Accounts onwards
Publish draft and commence inspection	On or before first working day of June	On or before first working day of August	?	?
Publication of accounts with opinion if available	31 July	30 Sep	30 Nov	30 Sep
Publication of CBC accounts with opinion actual	30 July	Mar 22?	?	?

7.2 Spare

8 Risk Management Implications

8.1 None specific.

9 Financial implications

9.1 As set out in the report.

10 Environmental and Climate Change Implications

10.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

11 Equality and Diversity Implications

11.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

12 Other Standard References

12.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.