

19th January 2021

Report of	Assistant Director of Policy and Improvement	Author	Paul Cook ☎ 505861 Mark Jarvis ☎ 282774
Title	Annual Audit Letter 2019/20 / Redmond Review Update		
Wards affected	All		

1. Executive Summary

- 1.1 The Annual Audit Letter summarises the conclusions and any significant issues arising from BDO's audit procedures for the year ended 31 March 2020.
- 1.2 The audit was completed within the revised statutory deadlines.
- 1.3 As part of the local government financial settlement, the Ministry of Housing, Communities and Local Government (MHCLG) published its response to the recommendation of the Redmond review. The recommendations and response are included in the main section of the report.

2. Recommended Decision

- 2.1 To consider and note the contents of the 2019/20 Annual Audit Letter.
- 2.2 To note the potential changes to the audit process as a result of the Redmond review.

3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require the Council to consider the Annual Audit Letter.

4. Alternative Options

- 4.1 Not applicable

5. Background Information

- 5.1 The statement of Accounts was signed on the 10th of June 2020, over 2 months before the statutory deadline.
- 5.2 The Audit Results Report was presented to the Committee on 24 November 2020.
- 5.3 The auditors completed the audit in accordance with the requirements of the accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and prior the revised 30th November deadline.
- 5.4 On the 17th of December MHCLG published their response to the 23 recommendations proposed by the review into the effectiveness of local authority financial reporting and audit. Details of the recommendation are included in the report.
- 5.5 In early 2021, the auditors will also issue a report to the Committee in the event of any issues arising from the grant certification work they have undertaken.

6. Overview

2019-20 Audit of accounts

- 6.1 The 2019/20 Annual Audit Letter is attached to this report as an appendix. This gives details of the audit findings found during the audit.
- 6.2 The areas of work and their main conclusions are summarised in the following table:

Area of Work	Conclusion
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
Management override of controls	No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.
Revenue and expenditure recognition	No issues identified.
Valuation of non-current assets and Pension Liability	No matters to report however given the circumstances around the coronavirus valuers have highlighted that there is a high degree of uncertainty over valuations due to the coronavirus
financials General ledger system upgrade	No issues identified

- 6.3 On the 4th of December 2020, the Public Sector Audit Appointments (PSAA) confirmed that 55% of audits (265 Local authorities) failed to meet the revised statutory deadline.

Redmond Review

- 6.4 The 2021/22 financial settlement included MHCLG's response to the Redmond review. The Redmond review highlighted a number of weaknesses with the current local government framework and highlighted 5 areas that need to be reviewed containing 23 recommendations.
- 6.5 The response from MHCLG can be found in appendix B however details of the 5 subheadings and recommendations can be found below.

1. Action to support immediate market stability

- a. Training be provided to all auditors regardless of seniority
- b. Revising the fee structure
- c. Allow other audit firms into the market
- d. Statutory reporting deadline extended to the 30th September
- e. Revision to local authority audit deadlines to be considered in conjunctions NHS audits

2. Consideration of system leadership options

- a. New body to manage, oversee and regulate local audits (Office of Local Audit and regulation OLAR)
- b. Review roles of the Financial Reporting Council, Institute of Chartered Accountants in England and Wales and Public Sector Audit Appointments with the view to transfer these to OLAR.
- c. Establish a Liaison Committee to receive reports from the new regulator.
- d. Provide OLAR with the power to apply sanctions where serious or persistent breaches of expected standards
- e. OLAR to undertake a review to assess the audit consideration of financial resilience and value for money
- f. That MHCLG review its framework on financial sustainability.

3. Enhancing the functioning of local audit, and the governance for responding to its findings

- a. Changes to local authority governance arrangements including:
 - i. Annual reports to be presented to Full Council.
 - ii. Consideration of one independent member, suitable qualified to the audit committee
 - iii. Chief Financial Officer to meet with key parent annually.
- b. Recognising the role of internal audit
- c. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified
- d. Key concerns relating to service and financial viability be shared between local auditors and inspectorates

4. Improving transparency of local authorities' accounts to the public

- a. Additional "standardised statement of service" information and costs be prepared alongside the statutory accounts.
- b. The standardised statement would be subject to audit.
- c. Review the optimum means of communicating information to Council Taxpayers and service users.
- d. CIPFA / LASAAC to assess scope of reducing the content of the local authority accounts.

5. Action to further consider the functioning of local audit for smaller bodies

- a. Review the required level of audit work for smaller sized organisations such as Parishes
- b. Examine the arrangements for increasing audit activities and fees for organisations with a turnover of over £6.5m
- c. Review arrangements with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.
- d. Review the need for specific returns for smaller organisations

7. Equality, Diversity and Human Rights implications

7.1 Not applicable

8. Standard References

8.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or financial; community safety; health and safety or risk management implications.

9. Strategic Plan References

9.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2019/20.

10. Consultation

10.1 The Statement of Accounts, Audit Completion report and Annual Audit Letter has been published on the Council's website

11. Publicity Considerations

11.1 The public inspection notice commenced on the 13th July 2020 for a 6-week period.

12. Financial implications

12.1 The 2019/20 audit fees are detailed in the Annual Audit Letter. Additional fees have been incurred due to:

- Greater complexity given the inclusion of Colchester Commercial Holdings Limited (CCHL)
- Asset and Pension Valuations
- Additional unplanned work as a result of the audit findings in relation to CCHL.

13. Health, Wellbeing and Community Safety Implications

13.1 Not applicable

14. Health and Safety Implications

14.1 Not applicable

15. Risk Management Implications

15.1 Not applicable

16. Environmental and Sustainability Implications

16.1 Not applicable

Appendices

Appendix A – 2019/20 Annual Audit Letter

Appendix B – MHCLG response to the Redmond Review

Background Papers

2019/20 Statement of Accounts

Audit Completion Report