

AUDIT AND STANDARDS COMMITTEE

4 October 2023

Title: Council's Accounts Audit Update - 2019/20, Subsidiaries' accounts audit – 2022/23 and Progress on Accounts Closure – 2022/23	
Report of the Chief Financial Officer	
Open Report	For Information
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jo Moore, Interim Strategic Director – Finance and Investments (Section 151 Officer)	
Accountable Strategic Leadership Director: Jo Moore, Interim Strategic Director – Finance and Investments (Section 151 Officer)	
Summary This report is to note an update regarding the external audit of the Council's Statement of Accounts 2019/20 and the subsidiaries' 2022/23 accounts, as well as an update on the latest regarding 2022/23 accounts closure of the Council's Accounts. Currently there is a proposal of a potential backstop being discussed. This will help clear the backlog and help get local authorities back on track with their draft accounts' publication along with timely external audits. This proposal will likely come into effect for FY 23/24 accounts.	
Recommendation(s) The Audit and Standards Committee is recommended to note the contents of this report.	
Reason(s) It is a statutory obligation for the Council's Statement of Accounts to be produced and audited, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council	

1. Introduction and Background

- 1.1 At the last meeting of the Committee, BDO provided a detailed timetable relating to the completion of the 2019/20 audit and this was further outlined at a subsequent meeting. The plan was for BDO to resume their audit on the week commencing 4 September 2023.

2. Accounts Audit Update – 2019/20

- 2.1 Further to the background, the plan was to ensure BDO had all the information they need to complete their fieldwork. This included the following areas:
- Responses to outstanding PPE queries
 - Detailed working paper to address the national issue of Infrastructure Assets
- 2.2 Both of the above working papers and responses were provided to BDO by end of July 2023. The intention was for BDO to focus on these two outstanding areas in the first week of their audit visit (w/c 4 September 2023). This would be key in terms of hitting their planned deadline.
- 2.3 During w/c 4 September 2023, BDO did not resume their audit. After chasing on a couple of occasions, an email was received late on 5 September 2023 confirming a further delay due to an NHS audit overrun. This was disappointing as the Council did not receive advance notice. No alternative or revised timetable was provided.
- 2.4 Also in the email was a proposed meeting on w/c 18 September to discuss a revised timetable. A Teams call was arranged on Thursday 21 September to discuss the next steps. At the meeting, it was confirmed that BDO resourcing lead would meet on Friday 22 September to discuss resourcing plans for the next few months. At this stage, there are no concrete plans as to when the audit of FY2019/20 accounts will resume.

3. Subsidiaries Update

- 3.1 All subsidiaries are required to have their accounts signed off by an external auditor and then filed at the Companies House by 31 December deadline. At the time of this report, the subsidiaries are on track to achieve the deadline.
- 3.2 The Council intends to report the final and audited outturn for each subsidiary to this Committee early in the New Year.

4. Progress on Accounts Closure – 2022/23

- 4.1 Draft Statement of Accounts 2022-23 for the Council's single entity is now completed. The Group Accounts however are still outstanding and will be produced as soon as the audits of the subsidiaries are concluded.
- 4.3 Subject to the proposed backstop solution (as outlined below), the Council's finance team is keen to get back to the usual cycle of producing the Council's Draft Statement of Accounts by the usual deadline with the aim of having its accounts audited by the national deadline.

5. Proposed backstop solution

- 5.1 DLUHC is working with the NAO to propose a workable solution to help reduce the backlog of outstanding audits across the country. This is so that auditors can move onto auditing the most up to date financial information.

- 5.2 One possible solution is to issue a qualified opinion or, in some cases, disclaimer opinion in order to allow the system to be reset. There remain questions as to how workable this proposed solution is. For example, it will be tricky to apply the above opinion to the Value for Money aspect of the annual audit.
- 5.4 The Council is committed to work constructively with the auditors to find a clear way forward.

6. Financial Implications

Implications completed by: Thomas Mulloy, Chief Accountant

- 6.1 The Council has been charged an additional fee of £302k for the work carried out in the external audit of the Statement of Accounts 2018-19. This will need to be accrued in the accounts. BDO will need approval from PSAA prior to the charge being invoiced to the Council.
- 6.2 No additional fee has been charged for the external audit of the Statement of Accounts 2019-20. The budget set for the work was £128k.

7. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 7.1 The Chief Financial Officer has a statutory duty, under Section 151 of the Local Government Act 1972, to ensure that there are proper arrangements in place to administer the Council's financial affairs. An essential component of sound administration is a sound audit function.
- 7.2 The Local Audit and Accountability Act 2014, established a new audit regime. Local Authorities must appoint a local auditor which in carrying out its' role must be satisfied that the authority has:
- Made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
 - In its accounts comply with the requirements of the enactments that apply to them, and
 - Observed proper practices in the preparation of the Statement of Accounts and that the Statement presents a true and fair view.
- 7.3 This is supported by the Code of Audit Practice, published by the NAO, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Public Background Papers Used in the Preparation of the Report: None