

## AUDIT AND STANDARDS COMMITTEE

26 MARCH 2024

<b>Title:</b> BDO's Audit Progress report and Sector update	
<b>Report of the Section 151 Officer</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Michael Bate, Interim Director of Financial Services (Deputy S151 Officer)	
<b>Accountable Executive Team Director:</b> Jo Moore, Interim Strategic Director, Resources & S151 Officer	
<b>Summary</b> <p>This report presents to the Committee the outgoing external auditor's (BDO) progress report in relation to their audit of the Council's Statement of Accounts for 2019/20. The update is broadly in line with their last report presented to the Committee in January 2024.</p> <p>Their key outstanding tasks relate to their internal review process. It should be noted that there are still no matters outstanding from the Council's perspective. Finalisation of the audit continues to be forecast to be the end of August 2024.</p> <p>They are also proposing to issue the annual report and commentary on VFM for the 2020/21, 2021/22 and 2022/23 Statement of Accounts by September 2024 subject to the outcome of the consultations of the Accounts and Audit Regulations 2015 and the National Audit Office Code of Audit Practice.</p> <p>At its last meeting the Committee asked for a breakdown of the 2019/20 additional fees. BDO has included a note on this in the report that the fee is indicative at this point but has still not provided a value for the indicative fee.</p> <p>.</p>	
<b>Recommendation(s)</b> <p>The Audit and Standards Committee is recommended to note the content of this report.</p>	
<b>Reason(s)</b> <p>As prescribed in The Accounts and Audit (England) Regulations 2015, 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.</p>	

## **1. Introduction and Background**

- 1.1 At the last meeting of the Committee, BDO revised their timeline for the completion of the 2019/20 audit to the end of August 2024 and the latest progress report does not propose any change to this date.
- 1.2 A schedule of additional fees incurred to date has been promised on a number of occasions by BDO but has still not been provided. The minutes from the last Committee meeting indicate that the exiting partner agreed to send the breakdown to the Council's S151 Officer the following day and it should be noted that this has still not been provided.
- 1.3 Discussions also took place at the last Committee meeting in relation to what action could be taken in relation to BDO's decision to extend their target completion date by 7 months from January 2024 to August 2024. The S151 Officer stated that, in their opinion, the delay was unreasonable and without appropriate justification.

## **2. 2019/20 Audit Update**

- 2.1 BDO has still not taken steps to bring forward the target date for completion and the timetable presented in their report is the same as was brought to the Committee in January 2024.
- 2.2 On their audit timetable, they have included those tasks they intend to achieve between July and August 2024, one of which is to meet with officers to discuss key audit findings. Members should note that a substantial number of audit findings have been reported at previous meetings. Members are reminded that the audit has been ongoing for over two years and the Committee has received numerous progress reports during this time.
- 2.3 BDO has stated in the report that they propose a variation to the 2019/20 scale fee and that this variation is indicative, reflecting that the audit is not yet complete. However, the report does not include an actual indicative fee.
- 2.4 Since the last Committee, the S151 Officer has submitted a further, formal complaint to BDO about the delay in the completion of 2019/20 audit and the receipt of the complaint has been acknowledged.

## **3. Update on later years**

- 3.1 The Council's finance team is working towards publishing the draft accounts for the 2020/21 and 2021/22 financial years by 31 March and the 2022/23 draft accounts in April 2024.
- 3.2 Given the significant delays in concluding the 2019/20 audit, these later years' accounts will now be dealt with under the new backstop arrangements which are still subject to consultation and a full audit opinion will not be provided. An update will be provided to the Committee on the exact arrangements once the consultation has closed and formal guidance issued to all parties.

- 3.3 The draft accounts for those years will have to be published which will be followed by the notice of inspection which will run for 30 working days.

#### **4. Options Appraisal**

- 4.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, there are no other options to appraise.

#### **5. Consultation**

- 5.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, does not require consultation.

#### **6. Financial Implications**

*Implications completed by: Michael Bate – Deputy S151 Officer*

- 6.1 There was no information on the 2019-20 additional fees which would have enabled the Council to plan appropriately for the payment subject to review by officers.
- 6.2 There continues to be a risk with the audit remaining outstanding as it does not allow for the provision of appropriate assurances on the overall financial standing of the Council. The Government is considering a backstop arrangement to clear all audits, with a consultation in the process of being released. However, there remains a question around unknown risks that may not have been identified and resolved. This could have a potential impact on future revenue budgets.

#### **7. Legal Implications**

*Implications completed by: Dr Paul Field - Principal Standards & Governance Solicitor.*

- 7.1 The Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, 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 2020 Code of Audit Practice published by the National Audit Office. Auditors now need to report significant weaknesses in arrangements when they identify them and make recommendations for improvement. A document called the Auditors Annual Report will cover arrangements for financial

sustainability, governance and improving value for money. Audited bodies are required to publish the Auditors Annual Report on their Website.

- 7.4 The delay in completing local audits is a significant risk factor multiplied by the fact that for Barking and Dagenham's local audit is now several years behind the statutory target. It means that any signifiers of concern which may be highlighted by the local audit are submerged until the audit is completed. This weakens financial governance as the safeguard of an objective review by a professional audit is not at its full effectiveness. As detailed in the report to this Committee, there will be a change in the local auditor, and it will be a critical success factor for the Council and the new local auditor that their first local audit is effective as may be reasonable in all the circumstances in achieving completion to the statutory audit target date.

## **8. Other Implications**

- 8.1 **Risk Management** - The preparation of timely, high-quality accounts is a key component of a system of good governance and accountability to our residents. The continued delays to audit completion and the determination of fees create risks of uncertainty for the Council and future revenue budgets.

### **List of appendices:**

- **Appendix A** – BDO Audit Progress Report: year ended 31 March 2020 - March 2024