

APPENDIX A

Report to the Audit and Standards Committee

LONDON BOROUGH OF BARKING AND DAGENHAM

Audit Progress Report: year ended 31 March 2020

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AUDIT UPDATE



At Audit and Standards Committee on 30 January 2024 we presented to members an indicative timeline for completion of our audit of the Council's 2019/20 financial statements. On the following page we have provided an update on the progress of that audit.

On page 4 of our report we have provided some background to recent consultations aimed at addressing the significant backlog in audits across the local government sector. As we note elsewhere in this report, we expect to conclude our audit of the Council's financial statements for the year ended 31 March 2020 in advance of the backstop date included in the consultation. However, for our audit of the Council's financial statements for the years ended 31 March 2021, 31 March 2022, and 31 March 2023, subject to the outcome of these consultations, we expect to issue a disclaimed audit opinion.

On page 5 of our report we have also provided an update on our audit fees, including an indication of the variation to the 2019/20 scale fee that we are likely to seek.

We look forward to discussing our report with you.

Steve Bladen

15 March 2024



BDO AUDIT TIMETABLE

We have set out below progress against the actions we set out in our last report to the Committee.

JANUARY 2024

- ▶ Met with senior members of the Council's finance team and the Chair of Audit and Standards Committee to provide an update on changes at Key Audit Partner level
- ▶ Provided an update report to the Audit and Standards Committee

FEBRUARY - APRIL 2024

- ▶ Completion of Senior Manager review of completed audit procedures and clearance of review points raised [In progress]
- ▶ Completion of Key Audit Partner reviews and audit team clearance of review points raised [In progress]
- ▶ Clearance of review points raised by BDO's Financial Reporting Technical Standards reviewer on the draft financial statements [In progress]
- ▶ The Council to respond to further questions relating to audit procedures and provide additional information as required [In progress]
- ▶ Provide update report to the Audit and Standards Committee [In progress]

MAY - AUGUST 2024

- ▶ Finalise our audit procedures [On track]
- ▶ Review revised financial statements if required [On track]
- ▶ Reconsider any new information that has arisen [On track]
- ▶ Completion of BDO's internal quality review procedures [On track]
- ▶ Meet with Officers to discuss key audit findings [On track]
- ▶ Draft report for Those Charged With Governance [On track]
- ▶ Report the final position to Those Charged With Governance [On track]
- ▶ Issue 2019/20 auditor's report [On track]

SEPTEMBER 2024

- ▶ Subject to the outcome of the consultations on the Accounts and Audit Regulations 2015 and the National Audit Office Code of Audit Practice for the years 2020/21 - 2022/23 we will:
 - Issue Auditor's Annual Report and commentary on VFM covering period [On track]
 - Issue auditor's reports in line with new code requirements [On track]

SECTOR UPDATE

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector. In summary:

- The Department for Levelling Up, Housing and Communities sought views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The National Audit Office sought views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

Further details can be found [here](#).

Key elements of the consultation included proposals for:

- Auditors to produce a single commentary on value for money arrangements covering all outstanding periods up to 2022/23
- A proposed backstop date of 30 September 2024 for auditors to issue audit opinions, including modified or disclaimed opinions due to the backstop, for all periods up to and including 2022/23
- A series of backstop dates for later periods of account

BDO responded to both consultations. We await the Government's final proposals but continue to consider the implications for our audit of future periods.

On 29 February 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA) launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:

- An option to simplify measurement of operational property plant and equipment using specified indexation, and
- Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland

The Invitation to Comment can be found [here](#).

PSAA set the scale fee for audits covering the periods 2019-20 to 2022-23 at £127,801 (net of any rebate given by PSAA for the 2022-23 year).

2018/19

We have previously reported that we would seek an addition to the scale fee of £301,990. We agreed this additional fee with the Council's former Strategic Director, Finance and Investment (s151 officer) and have reported the variation to the Audit and Standards Committee on 4 October 2023 and 30 January 2024. We have submitted documentation supporting this additional fee to Public Sector Audit Appointments Limited (PSAA). PSAA will now determine that request.

2019/20

For our audit of the Council's 2019/20 financial statements, we will seek a variation to the 2019/20 scale fee, reflecting the additional work and costs we have incurred in relation to our audit of the 2019/20 financial statements. These include:

- Additional work undertaken to test the valuation of Property, Plant and Equipment assets, and recharges. As previously reported our testing identified material misstatements in these areas.
- Additional work undertaken to test Infrastructure assets
- Work undertaken to test the consolidation of subsidiary entities into the Council's group financial statements
- Additional risks and increased testing required because of issues identified with the Council's 2018/19 financial statements

We propose a variation to the 2019/20 scale fee. This variation is indicative, reflecting that our audit is not yet complete. We will confirm any variation to the Council following completion of our audit. In seeking a variation to the scale fee, we will follow PSAA's approval process. This will include a further discussion with the Council's s151 Officer and reporting to Those Charged with Governance.

2020/21 - 2022/23

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits.



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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