



BDO AUDIT PROGRESS REPORT & INDICATIVE TIMELINE FOR FUTURE AUDITS

London Borough of Barking & Dagenham

15 June 2023

EXECUTIVE SUMMARY



This report provides the Audit and Standards Committee with an update on the progress of our audits and plans to clear the backlog of work.

DLUHC wrote to all local authorities and audit firms on 14 March 2023 requesting that auditors provide Audit Committees with a realistic project and delivery plan for delayed audits and the critical dependencies.

Issues nationally that have increased the resources required to complete local authority audits or have caused delays include:

- ▶ Backlog initially created during Covid and lockdown that has not been recovered
- ▶ Enhanced quality requirements following well publicised audit failures
- ▶ Implementation of new auditing standards
- ▶ Infrastructure accounting and inadequate historical records for highways and infrastructure spend
- ▶ Deficiencies in the quality of pre-audit statements and working papers prepared in advance of the audit
- ▶ Increased complexity of group structures, nature of transactions and asset ownership
- ▶ Difficulty recruiting auditors to the sector.

NATIONAL PICTURE

2019/20

Only 45% of 2019/20 local government bodies received an audit opinion by the extended deadline of 30 November 2020 and 44 (9%) had still not received the audit opinion by 31 December 2022.

2020/21

Only 9% of 2020/21 local government bodies received an audit opinion by the extended deadline of 30 September 2021 and 35% had still not received the audit opinion by 30 September 2022.

2021/22

Only 12% of 2021/22 local government bodies received an audit opinion by the extended deadline of 30 November 2022 and 373 remain outstanding.

2022/23

Last year of the current PSAA framework contract

Audit capacity and costs

The latest procurement by PSAA for contracts commencing for year ends 31 March 2024 will increase audit fees by 150% and Government has pledged to make an additional £60m of funding available over four years from 2021/22.

Redmond review

Limited progress has been made against the Redmond review recommendations to improve local public audit. The new system leader role to be undertaken by the Audit, Reporting and Governance Authority is expected to commence in 2024.

EXECUTIVE SUMMARY



AUDIT STATUS AND COMPLETION PLAN

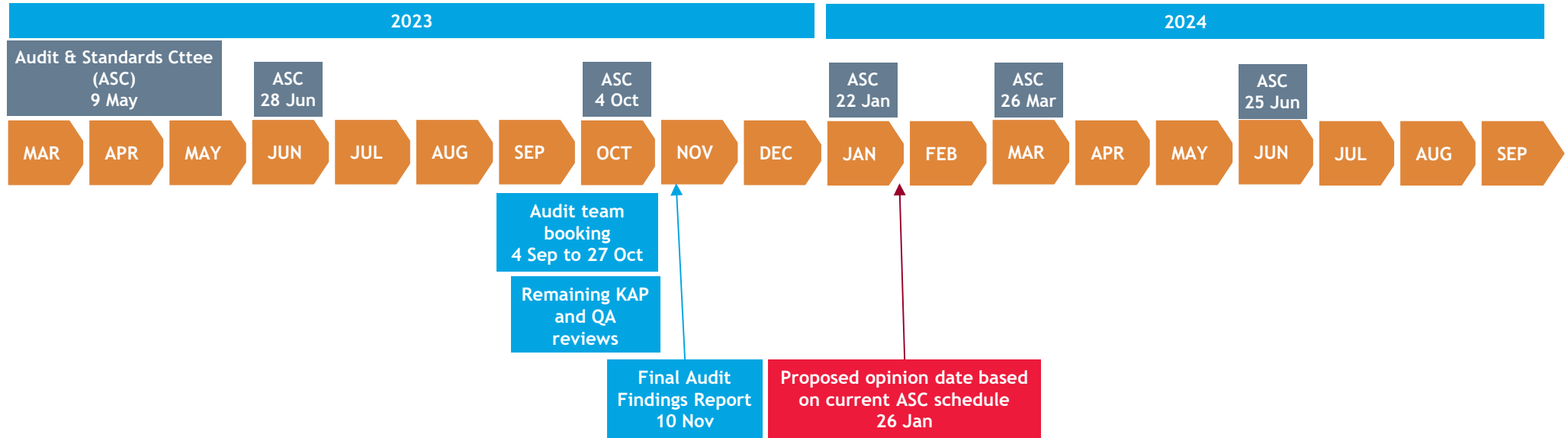
2019/20

- ▶ On the following page we set out the status of the audit for the period ended 31 March 2020 including outstanding work, issues to resolve and a timetable when we expect to complete.
- ▶ Manager reviews of audit fieldwork that has been completed to date have been performed.
- ▶ Key Audit Partner (KAP) and Quality Assurance (QA) reviews have commenced but will be completed during the final audit team visit which is scheduled to commence on 4 September 2023.
- ▶ We plan to complete the remaining fieldwork, Manager, KAP and QA reviews, clear outstanding review points and queries and issue the final Audit Completion Report by 10 November 2023.
- ▶ We will then need to present the Audit Completion Report, to those charged with governance, which would be done at the January 2024 scheduled Audit and Standards Committee, based on the planned committee schedule as it stands currently. If the Council decides to arrange an earlier Audit and Standards Committee, in late November or December, we will report to that meeting. After reporting, the final completion procedures can be performed and the opinion issued. This is usually done within three working days of reporting to those charged with governance if it is confirmed at the meeting that no further amendments to the financial statements are required, and after receipt of the Council's signed Letter of Representation.
- ▶ Achieving this revised timetable will be dependent upon receiving for audit the Council's working papers and revised Statement of Accounts supporting the implementation of the temporary solution for accounting for infrastructure assets (as set out in CIPFA Bulletin 12), before we commence the final audit visit on 4 September. Work that we have already completed elsewhere indicates that this is not an insubstantial piece of audit activity and also requires good quality justification papers to be prepared by the finance team to evidence, in particular, the appropriateness of judgements made in respect of the useful economic lives of infrastructure assets. This is likely to require both reference to benchmarking data and additional engagement with the Council's valuer. For this reason we have scheduled a July meeting with the Finance team to discuss audit expectations and the finance team's approach to preparing this evidence for audit.
- ▶ We will report the status of the final audit visit to the 4 October 2023 Audit and Standards Committee.

2020/21, 2021/22 and 2022/23

- ▶ We have prepared an indicative timetable for our audit of the three remaining years which is outlined on page 5 of this report. This has been agreed in principle with the Strategic Director, Finance and Investment (S151 Officer) and will be kept under review.
- ▶ Should any notable changes be required, for any reason, these will be reported to the Audit and Standards Committee along with the reasons for the proposed changes.

YEAR ENDED 31 MARCH 2020



WORK COMPLETED

- ▶ The field work procedures are complete in a number of areas, including the procedures in response to significant risks, and Manager level reviews have progressed
- ▶ Financial statements reviewed with proposed amendments provided to management and a revised version of the financial statements has been received

WORK TO COMPLETE

- ▶ Infrastructure assets audit procedures - we are awaiting the Council's working papers before this work can commence
- ▶ Manager review of Property, Plant & Equipment valuations (in progress) and audit team clearance of any review points raised
- ▶ Clearance of Manager review points raised on other file areas
- ▶ Key Audit Partner and Quality Assurance reviews and audit team clearance of any review points raised
- ▶ Review of revised version of the financial statements against audit feedback and results provided
- ▶ Clearance of outstanding technical review points raised, by BDO's Financial Reporting Technical Standards reviewer, on the draft financial statements

ISSUES TO RESOLVE

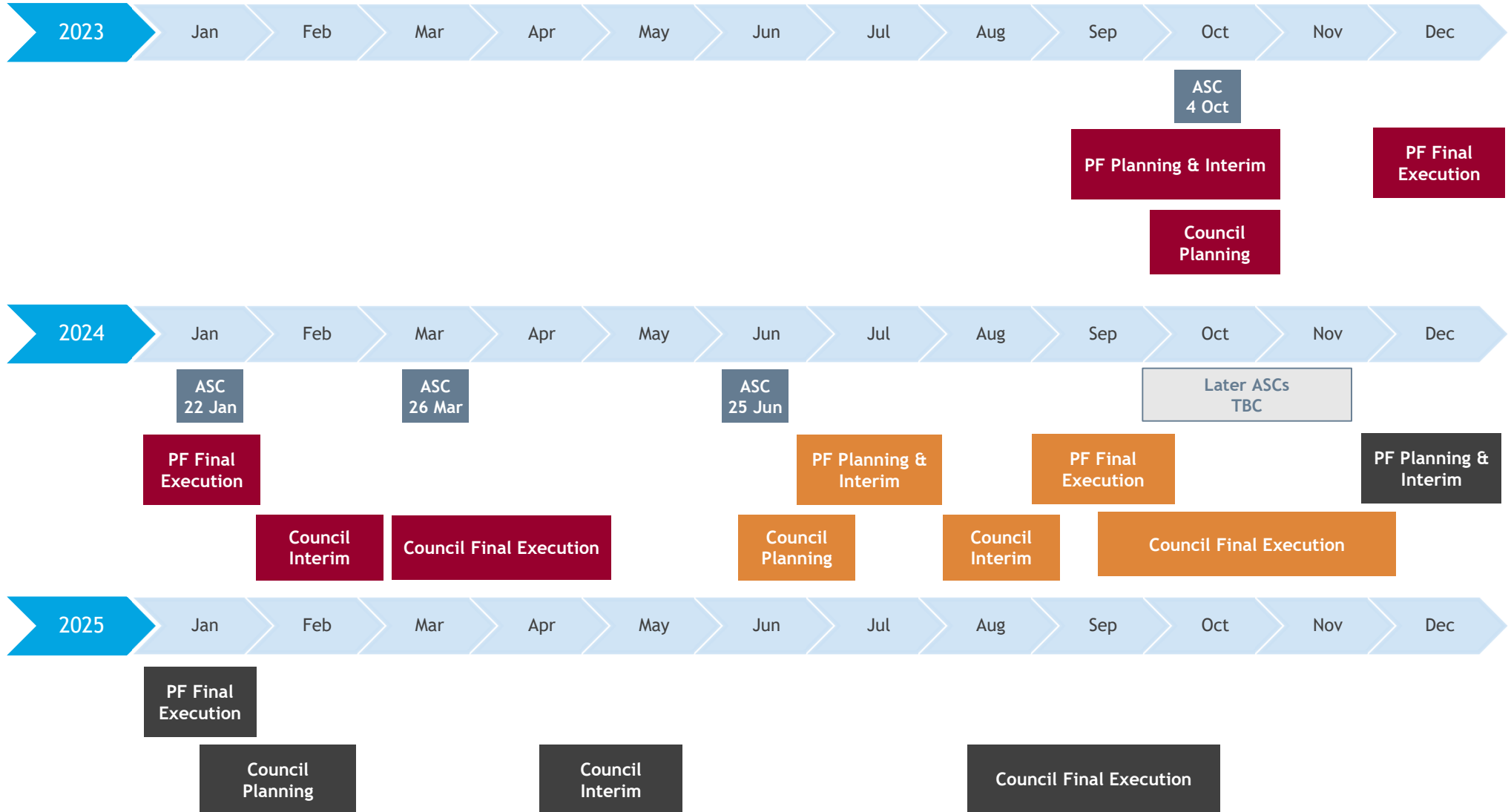
- ▶ We are awaiting evidence from the Council's valuer to support the basis of the £5.6m/ha amount used in the valuation of residential land
- ▶ We are awaiting response to our property, plant & equipment queries raised May
- ▶ Infrastructure assets working papers to be provided for audit. These will need to be provided by 1 Sep 2023 if the above timetable is to be met

YEARS ENDED 31 MARCH 2021, 2022 & 2023

2020/21
Audit

2021/22
Audit

2022/23
Audit





FOR MORE INFORMATION:

LISA BLAKE

m: 07791 397160

e: lisa.blake@bdo.co.uk

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