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Standards and Audit Committee Wednesday, 24 May 2023 at 7.30 pm

Council Chamber - Civic Centre

Supplementary Agenda

<u>Page</u>

5. BDO External Audit Update

2 - 8

BDO External Audit Update (BDO, Steve Bladen)

Synopsis of report:

To provide an update on progress with the External Audit by BDO.

Recommendation(s):

None. This report is for information.

1. Report

- 1.1 Attached at Appendix 'A' is BDO's summary of progress with the 2019/2020 audit.
- 1.2 Members will recall that the 2019/2020 audit is outstanding and there have been various updates provided at intervals to explain the challenges faced by BDO which have made it difficult to complete the audit.
- 1.3 Officers from BDO will be attending the meeting to answer any questions which the Committee may have.

(For information)

Background papers None Stated.

BDO AUDIT PROGRESS REPORT

RUNNYMEDE BOROUGH COUNCIL

24 MAY 2023



EXECUTIVE SUMMARY

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

The Department for Levelling Up, Housing and Communities (DLUHC) wrote to all local authorities and audit firms on 14 March 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
- Increased complexity of group structures, nature of transactions, and asset ownership (including the acquisition of investment property for income generation purposes)
- Difficulty recruiting auditors to the sector.

EXECUTIVE SUMMARY

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 160 (**34%**) had still not received the audit opinion by 31 December 2022.

2021/22

Only **12%** of 2021/22 local government bodies received an audit opinion by the extended deadline of 30 November 2022 and 398 opinions (85%) remained outstanding at 31 December 2022.

Audit capacity and costs

The latest procurement by Public Sector Audit Appointments Limited 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 Financial Reporting Council (FRC) has recently taken on the role of shadow system leader and a memorandum of understanding setting out the FRC's responsibilities in this role was agreed with DLUHC in March 2023.

EXECUTIVE SUMMARY



Summary

Our audit of the Council's 2019/20 financial statements remains in progress. We have now completed the majority of our work on the Council's financial statements. However, our work to conclude our use of resources responsibilities remains in progress. We have set out a summary of the outstanding matters below.

Outstanding issues

In 2019/20 and prior years the Council borrowed significant amounts from the Public Works Loans Board and utilised that borrowing to acquire a number of investment properties for revenue generation purposes. A number of those properties were located outside the Borough. Our work in relation to these investments is ongoing. We are currently considering:

- The legal advice obtained by the Council in advance of entering into those investments
- The governance and approval process followed by the Council prior to making each significant investment
- The extent of the reporting to Members, including the adequacy of the advice provided by officers, prior to the Council entering into investment decisions
- The Council's current financial projections, including the extent to which potential risks have been identified and considered
- The adequacy of the steps taken by the Council to mitigate risks to its financial position
- The adequacy of Minimum Revenue Provisions made.

Following completion of our 2019/20 audit, audits for the Council's 2020/21, 2021/22, and 2022/23 financial statements will be required. We are working on an indicative timetable for our audit of subsequent years and expect this to be available during June 2023. We will provide management and the Standards and Audit Committee with this timetable once that is available.

YEAR ENDED 31 MARCH 2020

INFORMATION REQUIRED TO RESOLVE OUTSTANDING ISSUES

- Council to respond to any further requests for information to support our use of resources assessment
- Council to respond to information request to support subsequent events testing.

WORK TO COMPLETE

- Review of final version of financial statements, including testing of adjustments to draft financial statements
- Completion of use of resources assessment
- Completion of subsequent events testing
- Completion of final audit reporting.

WORK COMPLETED

- Fieldwork and majority of audit testing completed
- Financial statements reviewed with proposed amendments provided to management.

FOR MORE INFORMATION:

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