

Committee: Audit and Scrutiny Committee	Date: 9 th October 2019
Subject: External Audit Update	Wards Affected: None specifically
Report of: Jacqueline Van Mellaerts – Director of Corporate Resources	Public
Report Author/s: Name: Jacqueline Van Mellaerts Telephone: 01277 312 829 E-mail: Jacqueline Van Mellaerts	For Decision

Summary

The Draft unaudited Statement of Accounts was presented to Committee on 29th July 2019. It was explained that the External Auditors Ernst & Young LLP, would not be able to start their audit by their target deadline of 31st July 2019. It was expected that the Audit would be complete and the Audit Results report would be presented at the next Committee.

Early August, Director of Corporate Resources and the Associate Partner of Ernst & Young LLP were in discussions regarding the resources of the Audit and it has been agreed that the audit would start on 1st October for approximately 3 weeks.

The Council has currently published, by its statutory deadline of 31st July, an unaudited Statement of Accounts and is not accompanied by an opinion, along with a notice explaining the delay of the audit. The Council will publish the audit opinion, when it is practically able to do so, to meet legislation requirements, after receiving the auditor's final findings from the audit.

Public Sector Audit Appointments (PSAA) figures show that 40% of audit opinions have missed the target date of 31 July. Officers wish to write to the PSAA to express our concerns regarding the Council's position with the 2018/19 Audit. Including the delay of the audit for Brentwood, the impact on resources it will have and any potential impact on future years audits.

Recommendation(s)

Members are asked to:

R1. Note this report and the revised Audit timetable.

R2. Give delegated Authority to the Director of Corporate Resource in consultation with the Chair and Vice Chair, to make representations to the PSAA of the Council's position with regards to the 2018/19 Audit.

Main Report

Introduction and Background

1. On 25th June, the formerly Interim Chief Finance Officer, received a phone call from our External Auditors, Ernst & Young LLP, explaining that their planned Audit which was to commence the week beginning 1st July for 3 weeks will be delayed and will need to be rescheduled after the target deadline of 31st July. A meeting was arranged with the Chair of Audit and Scrutiny and the External Auditors to explain the situation and a letter was received dated 3rd July to notify the Council in writing.
2. External Auditors have expressed their disappointment with this position and recognise the impact this has on the Council's resources, reputation and that this position is through no fault of the Council and its finance team. A reschedule of the Audit was proposed as soon as possible after 31st July, but no dates had yet been received or confirmed at the time of the last Committee. It was expected that the Audit would be complete and the Audit Results Report would be presented in October.
3. The authority published on our website, before the 31st July, the unaudited statement of accounts, the annual governance statement and the narrative statement, without a certificate or opinion from the local auditor, and accompanied these documents with a notice explaining the reasons for the delay of the Audit, which met statutory deadlines.

Issue, Options and Analysis of Options

4. Early August the Council Director of Corporate Resources and the Associate Partner of Ernst & Young LLP were in discussions regarding the resources of the rescheduled Audit.
5. It was identified that due to ongoing complex audits with other clients, and the requirement for team certainty including continuity with previous Ernst & Young LLP auditors, the resources were not going to be available for August and September. Ernst & Young's resourcing team therefore proposed an Audit team, could be available from 30th September.
6. Although not ideal, officers understood the importance of continuity and also had some resources constraints during September.
7. It was therefore agreed by both parties that the Audit would begin on 1st October for 3 weeks.

8. Auditor's will then issue their Audit Results Report (ARR) with their final findings from the audit which is issued before their conclusion of the Audit. (Audit Opinion)
9. The Council has currently published, by its statutory deadline of 31st July, an unaudited Statement of Accounts and is not accompanied by an opinion, along with a notice explaining the delay of the audit.
10. As the deadline of 31st July has not been fully met, the Council must comply with legislation as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit.
11. This is expected to be before the next Audit and Scrutiny Committee on 28th January.
12. The Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing auditors to 98% of local government, police and fire bodies that chose to opt into its national auditor appointment arrangements. Ernst & Young LLP were appointed to audit the accounts of Brentwood Borough Council for five years, for the accounts 2018/19 to 2020/23.
13. In a press release dated 12th August - The PSAA have reported the number of delayed audit opinions in Local Government has risen sharply this year. Figures show that more than 40% (210 out of 486) of audit opinions on 2018/19 statement of accounts were not available by the target date of 31st July 2019. The comparable position in relation to 2017/18 accounts was that approximately 13% of opinions were not available by the target date.
14. The PSAA have highlighted that this is of significant concern and delayed opinions can result in significant inconvenience and disruption as well as additional costs and reputational damage.
15. Although the Council can currently accommodate the revised Audit timetable, it is a significant inconvenience and could cause disruption to the Council Budget setting processes. There is also a risk of reputational damage if the PSAA publish named authorities that have not met previous or current deadlines.
16. Officers therefore wish to write to the PSAA to express our concerns about the delay of the audit for Brentwood, the impact on resources it will have and any potential impact on future years audits.

Reasons for Recommendation

17. To update the Committee regarding the status of the External Audit of the Statement of Accounts 2018/19.

Consultation

18. No consultation was required for this report

References to Corporate Plan

19. Good financial management underpins all priorities within the Corporate Plan.

Implications

Financial Implications

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20. There are no direct financial implications arising from this report. The Audit plan for 2018/19 was reported on 30th January 2019 and the Planned total Scale Fee for 2018/19 is £64,865.

Legal Implications

Name & Title: Paula Harvey, Paula Harvey, Head of Legal Services & Monitoring Officer

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21. The Council has prepared its accounts for 2018/19 within the statutory timeframe. The delay in EY's external audit means that the Council has been unable to meet its statutory duty to publish a set of audited financial accounts for 2018/19 by 31st July 2019. The Council has published a notice stating the reason for the delay in accordance with the Audit and Account Regulations 2015.

Economic Implications

Name/Title: Phil Drane, Director of Strategic Planning

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22. No economic implications.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

Background Papers

PSAA Press release 12th August 209. <https://www.psa.co.uk/2019/08/news-release-local-government-audit-opinions-delivered-by-31-july-2019/>

Appendices to this report

None