

Committee(s): Audit & Scrutiny Committee	Date: 12 January 2022
Subject: Chairs update	Wards Affected: ALL
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Summary

The report provides an update for Members on Ernest & Young's (EY) external audit of Brentwood Borough Council 2020-2021 financial statements.

Main Report

Since members of the Audit and Scrutiny Committee received EYs 2020-2021 external audit planning report at its meeting on 7th December 2021, further progress has been made on the external audit of the Council's 2020-2021 financial statements. As at 12th January Committee:

- Most financial statement account balances have had audit procedures either started, substantially completed pending review of responses to audit queries or are now undergoing EY's quality review processes. The most significant account balances that have yet to start are the review of assumptions in the Council owned asset valuations and group audit procedures. However, the investment properties recognised in SAIL accounts and consolidated in the Council's group accounts have been reviewed by EY's real estate team.
- A EY technical accounting specialist is completing a review of the appropriateness of the Council's accounting and policy for minimum revenue provision.
- Council's finance team are preparing technical papers to set out the accounting and disclosure judgements associated with the leisure centres and surplus assets. EY will need to review these judgements and set out their findings and conclusions on the appropriateness of the accounting, disclosures and recommended adjustments.
- EY are finalising a scope of work with their corporate finance specialists to review the Council's arrangements for financial sustainability and exposure to risk from its commercial subsidiaries and investments. This is in response to the risks of significant weaknesses set out in the EY audit planning report. We expect this work to commence during January 2022.

- EY will be consulting their professional practice teams on two matters. The first is on the appropriateness of setting materiality at 2% of gross expenditure based on the existence of a going concern material uncertainty disclosure in the 2019-2020 financial statements associated with the level of the Council's short term borrowing. This process will conclude in January 2022, and any variations that result in the level of substantive audit testing will be communicated with management. The second will be a consultation on the appropriateness of the going concern disclosures and management's assessment of risks and uncertainties for the period of 12 month from the date the 2020-2021 accounts are expected to be authorised for issue, and anticipate this will cover the Council's forecast viability (level of available to use reserves) and liquidity (cash, investments and borrowing) position up to March 2023. This process can only conclude towards the end of the audit.

EY estimate that they require an additional three weeks of audit senior time to conclude the remainder of their fieldwork on the substantive audit testing on the Council's financial statements. In addition to this, EY's Partner-in-Charge has updated the Council's Corporate Director of (Finance & Resources) & Section 151 Officer on 15th December 2021 that there will be a change of Audit Manager because the current incumbent is leaving the firm. The Council will be notified of the new Audit Manager in early January 2022. This individual will be responsible for the remainder of the quality review process on the audit file, and managing the consultation process and resolution of the technical matters referred to above. EY estimate that this will also require between three to four weeks of Audit Manager time to conclude. Arrangements are being made in early January 2022 for EY to secure the remaining audit resource commitments and confirm with the Council's finance team the project plan to conclude the remainder of the audit.

At this stage, EY intend to present their Audit Results Report on their 2020-2021 audit to the Audit and Scrutiny Committee on the 8th March 2022. Should there be any changes to this, the EY Partner-in-Charge will communicate this in the first instance to the Council's Corporate Director of (Finance & Resources) & Section 151 Officer and the Chair of the Audit and Scrutiny Committee. Members of the Audit and Scrutiny Committee will be aware of the factors that driving the timeliness of Local Government audit opinions which have been subject to independent reviews, parliamentary enquiries and an ongoing programme of reforms by DLHUC.

Should members have any queries on this position statement, please contact the Council's Corporate Director of (Finance & Resources) & Section 151 Officer who either will respond or where appropriate obtain explanations from EY's Partner-in-Charge.