

Committee(s): Audit and Scrutiny Committee	Date: 5 th July 2022
Subject: Audit Results Report 2020/21	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources)	Public
Report Author/s: Name: Phoebe Barnes, Corporate Manager – Finance E-mail: phoebe.barnes@brentwood.gov.uk Name: Jacqueline Van Mellaerts – Corporate Director (Finance & Resources) E-mail: jacqueline.vanmellaerts@brentwood.gov.uk	For Decision

Summary

The Council's External Auditors, Ernst & Young LLP (EY) have substantially completed their audit of the Council's Statement of Accounts for 2020/21. This report presents their conclusions and draft letter of representation.

External Audit propose to issue an unqualified audit opinion for the Statement of Accounts 2020/21. They are satisfied that they give a true and fair view and are free from misstatement whether due to fraud or error, subject to audit adjustments highlighted in section 4 of their Audit Results Report.

External Audit have also reviewed the Council's Value for Money Assessment and are satisfied the Council has proper arrangements in place they would expect to see.

Conclusion of the audit is still in progress and delegated authority is requested to approve the statements, should no material differences arise upon completion.

Recommendation(s)

Members are asked to:

- R1.** Consider the Audit Results Report 2020/21 in Appendix A and note the conclusions contained in it.
- R2.** Consider the Draft Letter of Representation in Appendix A (page 52) and delegate authority to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny to approve and sign the letter upon conclusion of the Audit.
- R3.** Delegate to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny to approve and sign the Statement of Accounts for 2020/21, on completion of the final elements of the audit.

Main Report

Introduction and Background

1. In March 2021 MHCLG published The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 (SI 2021/263). These extended the statutory audit deadline for 2020/21 for all local public authorities in England, police and fire bodies.
2. The Council's unaudited Statement of Accounts were presented to this committee on 6th July 2021, one month ahead of the revised statutory deadline of 1st August 2021. The Accounts include the Council's Group Accounts, reporting the consolidated position of the Council with Seven Arches Investments Ltd (SAIL).
3. The draft accounts publication deadline was extended from 1st June to 1st August. Public Inspection notices and the Unaudited Statement of Account 2020/21 along with the Annual Governance Statement were published on the Council's website on 29th July 2021 in advance of the inspection period 2nd August to 10th September 2021. No notices of objections were received.
4. For local authorities the publication deadline for audited accounts for 2020/21 was moved from 31 July 2021 to 30 September 2021. The Committee was previously advised our audit has been postponed due to insufficient audit resources and to preserve the quality of the audit it will not commence until after the publication deadline.
5. A notice of explanation was been published alongside the Council's unaudited accounts on our website from 30th September to meet appropriate legislation.
6. The External Auditors commenced their audit engagement on 1st November 2021. The audit has progressed well, with weekly catch up meetings between EY and the Corporate Finance team enabling work to be focused and facilitating prompt response between the teams. All audit queries have been collated through one point of contact in the Corporate Finance Team which has enabled finance and operational council staff to focus on other work streams and the co-ordination of responses to EY to be effective.
7. Although the statutory deadline for the Audited statement was 30th September 2021, and the commencement of the audit did not start until 1st November, there has unfortunately continued to be ongoing challenges around auditor resources which has delayed the work programme.

8. The auditors have now substantially completed their work, and have issued their Audit results reports 2020/21, attached in Appendix A and any outstanding areas for review are detailed in within.
9. Neil Harris, Associate Partner for EY will present the report of audit findings.

Issue, Options and Analysis of Options

Audit Results Report

10. The conclusions from the audit engagement are contained in the Audit Results Report, issued on 27th June 2022, which is attached as Appendix A.
11. Members are asked to consider the Audit Results Report and note its contents. The report has been reviewed by senior management who are in agreement with its contents at this stage.
12. Subject to outstanding matters reported within Appendix B of the Audit Results Report (Appendix A). Their report confirms that External Audit expect to issue an unqualified audit opinion on the financial statements. They are satisfied that the statements give a true and fair view and are free from misstatement whether due to fraud or error, subject to audit adjustments highlighted in section 4 of their Audit Results Report.
13. The results report also assesses the Council's Value for Money (VFM) arrangements and they are satisfied the Council's has proper arrangements in place they would expect to see. No new risks have been identified of significant weakness and that to date they have no matters to report by exception in the auditor's report. The VFM commentary will be issued shortly after the audit opinion is issued as part of the Auditors annual report.
14. The Draft Audit Opinion is reported on page 23 of Appendix A. Auditors can not formally conclude the audit and issue an audit certificate until they have completed the work necessary to issue their assurance. However, it is expected no material adjustments will be required at this stage and therefore delegated authority is requested by the Section 151 Officer in consultation with the chair to approve and sign the statement of accounts 2020/21 following the conclusion of the audit in due course. Any material adjustments will need to be reported to the next Audit and Scrutiny Committee before the financial statements are authorised for issue.

Letter of Representation

8. The Letter of Representation is a document issued by the Council to the External Auditor, in which the Council's management declare that the financial statements

and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements.

9. Members are asked to consider the Draft Management representation letter included within Audit Results Report (page 52 of Appendix A) and award delegated authority to the Section 151 Officer to approve the letter upon conclusion of the audit.

Statement of Accounts and Annual Governance Statement

10. The audited Statement of Accounts 2020/21 will be updated following the final completion of the audit and published on the Council's website. This includes any recommendations management has agreed with the auditors and the adjusted differences referred to in section 4 – Audit Differences (Page 30 of Appendix A)
11. The auditors have identified no unadjusted differences where management have declined to adjust at this stage.
12. The Annual Governance Statement (AGS), which sets out the governance framework in place within the Council to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, accounted for and used properly was approved by this committee on 6th July 2021 and was signed by the Leader of the Council and the Chief Executive. The audit has confirmed the AGS is consistent with other information from their audit of the financial statements and have no other matters to report. The AGS will be published alongside the Statement of Accounts 2020/21.

Reasons for Recommendation

10. To enable the Council to conclude the Statement of Accounts process for 2020/21, which had a statutory deadline of 30th September 2021.

Consultation

11. None.

References to Corporate Plan

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

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources

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13. Financial implications are set out within the report and throughout Appendix A.
14. None of the adjusted differences highlighted in section 4 of Appendix A, have impacted the General Fund or Housing Revenue Account Outturn for 2020/21 or working balances/earmarked reserves at this stage of the Audit.
15. As part of the Audit Results Report (Appendix A), Ernst & Young have reported the Fee analysis (page 43 of Appendix A). Management will make appropriate representations to PSAA following the conclusion of the audit and discussions with Ernst Young LLP.
16. Whilst the draft Statement of Accounts 2021-22 have been prepared for the July 2022 deadline, the finance team have taken on board any audit changes and recommendations, as well as any technical accounting updates throughout the audit of 2020-21.

Legal Implications

Name & Title: Amanda Julian, Director of Law and Governance & Monitoring Officer

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17. All relevant legal considerations have been taken fully into account in compiling this report.

Economic Implications

Name/Title: Phil Drane, Director of Planning and Economy

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18. There are no direct economic implications from this report.

Background Papers

None

Appendices to this report

Appendix A: Audit Results Report 2020/21