

**Decision Maker:**       **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Date:**                   **Thursday 28<sup>th</sup> March 2024**

**Decision Type:**       Non-Urgent                   Non-Executive                   Non-Key

**Title:**                   **EXTERNAL AUDIT REPORTS**

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**Ward:**                   Borough Wide

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1. Reason for report

- 1.1 This report provides the annual audit letter following conclusion of the audit of the 2019/20 Statement of Accounts, draft audit results for the 2020/21 Pension Fund audit and an update on the main Council audit for 2020/21 and subsequent years.
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**2. RECOMMENDATION(S)**

**2.1 The Committee is requested to:**

- a) Consider the 2019/20 Annual Audit Letter from EY attached as Appendix 1;**
- b) Note the draft 2020/21 Pension Fund Audit Results report from EY attached as Appendix 2; and**
- c) Note the Audit Update report from EY attached as Appendix 3.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
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### Corporate Policy

1. Policy Status: Existing Policy
  2. Making Bromley Even Better Priority: Managing our resources well
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### Financial

1. Cost of proposal: Not Applicable
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: External Audit
  4. Total current budget for this head: £432k
  5. Source of funding: Not Applicable
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### Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not applicable
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### Legal

1. Legal Requirement: Statutory Requirement – The report concerns the statutory requirements required by the Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015
  2. Call-in: Not Applicable
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### Procurement

1. Summary of Procurement Implications: Not Applicable.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

### **3. COMMENTARY**

#### **2019/20 Annual Audit Letter**

- 3.1 As Members will be aware from previous reports to the Audit and Risk Management Committee, completion of the audit of the 2019/20 Statement of Accounts was subject to significant delays due to a number of factors, primarily related to issues with the valuations of land and buildings.
- 3.2 The 2019/20 draft audit results were reported to this Committee in March 2023, and the auditor's reports were subsequently considered at the meeting in July 2023. EY have now issued their annual audit letter (Appendix 1) which must be considered by the Committee as required by The Accounts and Audit Regulations 2015.
- 3.3 In summary, the letter provides an unqualified opinion i.e. that the accounts give a true and fair view of the financial position of the Council and Pension Fund and that there are no other specific items which they would report on by exception.
- 3.4 However, as noted in the reports, the final audit certificate cannot be issued for the 2019/20 accounts until the objection to the 2018/19 accounts has been concluded.

#### **2020/21 Pension Fund audit**

- 3.5 Following consideration of the 2020/21 Pension Fund Audit Plan at the meeting of the Committee in November 2023, EY have now substantially completed the 2020/21 Pension Fund audit, and their draft audit results report is attached as Appendix 2.

#### **Consultation on local audit backlogs**

- 3.6 On the 8<sup>th</sup> February 2024, the Department for Levelling Up, Housing and Communities (DLUHC) released a consultation on proposed changes to address the significant backlog of local authority audits, which stood at 771 outstanding audit opinions for England as at 31<sup>st</sup> December 2023.
- 3.7 Alongside this consultation, the National Audit Office consulted on related changes to the Code of Audit Practice, and CIPFA consulted on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25.
- 3.8 DLUHC's proposal contains three stages:
- Phase 1: Reset. To clear the backlog of historical audit opinions up to and including 2022/23 by 30<sup>th</sup> September 2024, audit opinions would be issued based on the work that has been completed, resulting in either unmodified, modified (qualified or adverse) or disclaimed opinions, although Value for Money assessments will still be brought up to date.
  - Phase 2: Recovery. To ensure a recurrence of audit backlogs by using backstop dates, starting with a deadline for the 2023/24 audit of 31<sup>st</sup> May 2025 and then reducing the backstop period to 30<sup>th</sup> November 2027 for the 2026/27 accounts. This additional period is intended to allow sufficient time for auditors to gain assurance over opening balances where prior years were subject to a modified or disclaimed opinion.
  - Phase 3: Reform. Addressing systemic challenges in local authority audit system and embedding timely financial reporting and audit by building on the recommendations from the Redmond Review.

#### **Update on 2020/21 audit and subsequent years**

3.9 An update on the audit of the main Council accounts for 2020/21 as well as their expectation for the 2021/22 to 2023/24 audits in light of the consultation referred to above has been provided by EY and is attached as Appendix 3.

#### 4. FINANCIAL IMPLICATIONS

4.1 Fees are discussed agreed annually with the external auditor to cover the cost of their annual audit activity. The base audit fee is set by PSAA and then varied locally depending on various risk factors.

4.2 In the event that less audit work is completed than has been assumed in the scale fees for the prior year audits that are subject to a modified or disclaimed opinion, the fees will only be for the work carried out and variations will be determined by PSAA.

#### 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications. This report focuses on the arrangements for local authority financial reporting and auditing put in place by the Local Audit and Accountability Act 2014.

<b>Non-Applicable Sections:</b>	Impact on Vulnerable Adults and Children Policy, Procurement Implications and Personnel Implications.
Background Documents: (Access via Contact Officer)	<p>Reports to Audit and Risk Management Committee:</p> <ul style="list-style-type: none"> <li>• ‘2020/21 Pension Fund External Audit Pan’ – 7<sup>th</sup> November 2023</li> <li>• ‘2019/20 External Audit Reports’ - 4<sup>th</sup> July 2023</li> <li>• ‘LBB Draft Audit Results Report-Year Ended 31<sup>st</sup> March 2020’ – 8<sup>th</sup> March 2023</li> <li>• ‘E&amp;Y Audit Briefing Paper’ – 2<sup>nd</sup> November 2022</li> <li>• ‘External Audit and Financial Reporting Update’ – 30<sup>th</sup> June 2022</li> </ul> <p>Reports to General Purposes and Licensing Committee:</p> <ul style="list-style-type: none"> <li>• ‘Appointment of the External Auditor’ – 8<sup>th</sup> February 2022</li> <li>• ‘Draft Audit Results Report 2019/20 Update’ – 8<sup>th</sup> February 2022</li> <li>• ‘EY Briefing Paper’ - 30<sup>th</sup> November 2021</li> <li>• ‘Audit of the 2019/20 Financial Statements’ – 6<sup>th</sup> July 2021</li> <li>• ‘Audit of the Financial Statements 2019/20’ – 25<sup>th</sup> November 2020</li> <li>• ‘Redmond Review of Local Authority Financial Reporting and External Audit’ - 25<sup>th</sup> November 2020</li> </ul> <p>‘Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit’ - <a href="https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-">https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-</a></p>

	<a href="#"><u>delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit</u></a>
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