

**MINUTES OF THE  
AUDIT AND RISK COMMITTEE**  
held on 27 April 2022 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, N.A. Dudley, J.M.C. Raven, E.J. Sampson, A.B. Sosin and  
A. Thorpe-Apps

### 1. Attendance and Apologies for Absence

Apologies for absence were received from Councillor Galley.

### 2. Minutes

The minutes of the meeting on 16 March 2022 were confirmed as a correct record.

### 3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting, if they had not been previously notified.

### 4. Public Questions

There were no questions or statements from members of the public.

### 5. Announcements

No announcements were made.

### 6. Statement of Accounts 2020/21 Progress report

The Chair accepted this item as one of urgent business. This was due to it not being available in full for five clear working days before the meeting.

The Committee considered a report seeking their approval for the Council's Statement of Accounts for 2020/21. The report also highlighted to the Committee the external auditor's findings in carrying out their audit work to date in relation to the 2020/21 financial year.

The Committee received a verbal update from the Section 151 Officer in relation to the 2020/21 accounts. The Committee heard that the Council had published their accounts on time in July 2021 but were subject to external auditors (BDO) completing their work. The Government target for external auditors to publish their opinions for local authority accounts for 2020/21 was the end of September 2020. The locally agreed target for the audit was December 2020. It was noted that nationally at the time of the committee their remained a large backlog of uncompleted for audits for 2020/21. The Council's external auditor, had since December set a number of completion dates but these had been repeatedly missed. It was noted that this meeting had been established as the final target for sign off but again it had not been met by BDO. Therefore, the Committee were being asked to approve an officer delegation to sign the accounts off when the audit was finalised.

The Committee heard from officers that financial reporting is weakened when audits are delayed, and this led to various risks. Including that the budget and planning of future reserve levels had been set on unaudited accounts. It was noted that any error in the accounts identified by BDO was taken seriously by the Council, but the majority of errors were non material, that is, they did not affect a reader's understanding of the accounts. The Committee also noted generally the material errors identified were matters that could only be known due to lateness of the audit. Officers would not have had this information when completing the accounts, and if the external audit had been completed on time, then the errors would not have been identified.

The Committee heard from BDO and were informed of the national difficulties experienced by BDO and other local authority audit firms. The Committee noted that only 9% of local authority audits had not been completed on time. The Committee heard there had been staff retention and recruitment issues nationally in external audit firms. Additionally, the external audit regulator increased the scope of work in response to failures in the audits of private sector companies. BDO took a strategic decision to catch up by not doing an interim audit and just completing the audit in one visit, however hindsight showed this had led to more delays. BDO also stated that the pandemic and enforced remote working had led to reduced one-on-one training for new staff. BDO informed the committee that that more time was required before the audit could be completed. The value for money audit could not start until after the initial opinion was finalised.

The external auditors took the Committee through their report at appendix 1 and this detailed the various areas of work and provided more detailed information for the Committee.

Members of the Committee and the Deputy Leader of the Council who was also in attendance, raised the following points in relation to the report and the reasons for the delays detailed by the external auditors;

- The high workloads had been known about for a while, why had more staff not been recruited?
- The residents of Chelmsford had been adversely impacted by the delays to the external audit. More officer time had been required due to the significant delay.
- It had been simply unacceptable to miss three separate agreed dates to complete the audit, including for this meeting which had been called specially to finalise the accounts.
- There had appeared to be major lack of ability to predict future issues in workload or staffing by the external auditors, which was seen as ironic.
- Officers time was being wasted due to the delays and the longer delays last, the greater hindsight BDO have, therefore picking up on issues which were impossible for officers to see when completing the accounts.
- Instead of repeated deadlines failing to be met, the Council would appreciate some honesty and realistic deadlines to be set by the external auditors.
- What was or would be put in place to prevent this happening again, as it has in the last few years?
- The process appeared to have been mismanaged and not properly resourced by BDO.
- Why had there not been a succession plan in place for senior staff leaving?
- Could a date for the set of accounts being completed be provided?

In response to the points raised by the Committee and the Deputy Leader, the external auditors stated that;

- The global pandemic had meant everything took longer and providing staff training remotely had been an issue.
- The quality of work from junior members of staff had not been up to the usual standard. Due to pandemic weakening the ability of BDO to train staff.
- The new auditing standards required BDO to look into areas in greater detail than in previous years, leading to longer timescales.
- A phasing plan of when audits take place would be used in the future.
- New schedules would be planned and agreed with Council officers.
- The hybrid approach going forward would lead to previous efficiencies being reached.
- The PSAA set the fees paid to external auditors and agreed the contracts.
- BDO had provided a good quality product with a robust audit process.
- The delays had not been specific to Chelmsford and had been nationwide across the sector.
- The 2020-21 audit should be completed by the end of May.

A member of the Committee raised that the delegation proposed in the report should not be utilised as they did not believe the auditors would complete their work before the budget setting process. The other members of the Committee disagreed however and agreed this would cause a higher workload for officers. Officers also confirmed that from their point of view, the delegation would allow them to plan their workloads more efficiently.

RESOLVED that

1. the verbal update from the Accountancy Services Manager, Section 151 Officer be noted and;
2. the draft Audit Completion Report – ISA 260 (Appendix 1) be noted,
3. the Statement of Accounts 2020/21 (Appendix 2) be approved and that the subsequent material changes identified to date as stated in the report, should be made by the Section 151 Officer after the meeting and;
4. authority be delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final statement along-side the audit opinion.

(7.03pm to 8.15pm)

## 7. Statement of Accounts 2021/22 Progress update

The Committee received a verbal update from officers regarding the 2021/22 statement of accounts. The Committee heard that staff were currently working on the 21/22 accounts as well as the 20/21 audit and this was causing additional workload. It was noted that there was a risk going forward of still being audited whilst closing the accounts and this could lead to a higher risk of errors being made due to the increased workloads. Without action by the external auditor to reduce the length of the audit there was a risk the Council would require additional finance staff. It was also noted that the PSAA contract was up for renewal next year, which may lead to a change in auditor and as a result, further work in preparing to work with a new auditor.

RESOLVED that the update be noted.

(8.15pm to 8.25pm)

## 8. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.25pm

Chair