

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 20 July 2021

From: Director of Finance and Commercial (s151 Officer)

Subject: **Update on Statement of Accounts 2019/20, 2020/21 and Statutory Auditor Report**

Portfolio Holder: Governance
Councillor Mrs I Sanderson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Further to the reports to this Committee in October 2020 and March 2021, explaining the Financial Report – Statement of Accounts – 2019/20 had not yet been finalised, this report confirms that the audit is still ongoing.
- 1.2 It is the aim that the audit will be finalised by the end of September 2021 for the Audit, Governance and Standards meeting where the Audit Results Report will be accepted by the Committee and the Financial Report 2019/20 will be approved.
- 1.3 The delay in the Committee receiving the Audit Results Report and approving the Financial Report 2019/20 results in a delay for the 2020/21 financial reporting cycle.
- 1.4 It is expected the Auditor – EY LLP – will present the Audit Plan for 2020/21 Financial Report at the September 2021 Committee which sets out the Audit work that they expect to complete for the 2020/21. This can only occur when the 2019/20 audit is complete. The audit will occur subsequently with the timescale estimated that the Financial Report – Statement of Accounts – 2020/21 will be presented, along with the Audit Results Report 2020/21, to the Audit, Governance and Standards Committee in January 2021; this will be confirmed in due course.
- 1.5 The Draft Financial Report – Statement of Accounts – 2020/21 will be available on the Council’s website in accordance with the statutory guidelines on 31 July 2021.
- 1.6 The audit is statutorily scheduled to complete by 30 September 2021, however as explained above this will be delayed. This is allowed under Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, where the Council will publish on its website that it has not been able to publish the statement of accounts and its reasons for this.
- 1.7 The Auditor has confirmed that they prioritise larger authorities, before this Council, for the completion of their audits in line with the requirements of Whole of Government Accounts. Whole of Government Accounts is a consolidated set of

financial statements for the UK public sector where the size of this Council's information is not significant enough to influence the consolidated result. The resources in audit firms across the UK is currently stretched which was addressed in March 2021 to this Committee in the section of the report on External Audit Scale Fees and Fee Variations.

- 1.8 The discussion regarding the state of the audit market in general is ongoing with the audit industry continuing to come under closer scrutiny from regulators in the UK with focus on audit quality, more evidence on file, increased challenge of management assumption, greater depth of analysis on the accounts. Therefore, there is an increase in the requirements of auditors and with less resources available in the industry. This ultimately impacts local authority auditors with increased delivery requirements and greater workload resulting in unprecedented level of additional fees.
- 1.9 The 'Public Sector Audit Appointments' body, considers fees on behalf of this Council as the Council opted into the procurement process for 2018 to 2023. There is current ongoing discussion regarding this matter as a result of the Sir Tony Redmond Review in September 2020 and the liaising with Minister of Housing, communities and local government. It is hoped that the matter of fees to be charged going forward will be clearer for all local authorities as part of the renewal procurement process for auditors for 2023/24 where Audit Governance and standards will receive a report in the near future followed by approval from Council in December 2021 as to if they would again opt into the Public Sector Audit Appointments procurement process.
- 1.10 Finally, this report includes an estimate only of the proposed timescale as to when Financial Report 2019/20 and 2020/21 will be presented to the Committee along with the associated Audit Result Reports. If for any reason the Financial Report 2019/20 is further delayed or the Audit Plan for 2020/21 is not presented to September 2021 Committee meeting, then the timescale would be extended.

2.0 Risk Assessment

- 2.1 There are no risks associated with the recommendations of this report.

3.0 Recommendation

- 3.1 It is recommended that the Committee note the content of the report.

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Background papers: Audit, Governance and Standards Committee reports for 2020/21

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