

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

**Report by: Steven Linnett, Head of Strategic Finance & Property
(s.151 Officer)**

**Report title: Receipt of the External Auditor's Provisional Audit
Planning Report 2021/22**

Ward(s) affected: All

Summary – The external auditor will present their Provisional Audit Planning Report 2021/22 to the Committee setting out the planning for their delayed audit of the 2021/22 statement of accounts.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a)** Receive and make any comments on the external auditor's Provisional Audit Planning Report 2021/22.

1.0 Proposal(s)

- 1.1 The delayed 2021/22 audit of the statement of accounts audit has been started and the external auditor has issued a Provisional Audit Planning Report setting out their planned work to deliver an opinion on the 2021/22 statement of accounts, their assessment of risk and indicative fee levels.
- 1.2 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.
- 1.3 The external auditor's Provisional Audit Planning Report for 2021/22 is attached at Appendix A.

- 1.4 The scale fee is set by Public Sector Audit Appointments Limited (PSAA) and for the 2019/20 and 2020/21 audits the external auditor has submitted fee increase requests to PSAA which have thankfully been agreed at 33% of the requested fee increase.

2.0 Background

- 2.1 The local public audit market has effectively been dysfunctional since 2020 and there have been severe delays to local authority audits. The council's 2020/21 accounts only received an audit opinion on 16 March 2023. The 2021/22 accounts were supposed to have received an audit opinion and been published by 30 November 2022 in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2022. The delay to the audit is due to the external auditor not having sufficient resources to undertake the audit. The [Redmond Review](#) of the local audit market provides useful background information for Members.
- 2.2 The 2023/24 to 2027/28 audits was subject to a competitive tendering exercise undertaken by Public Sector Audit Appointments Limited and Azets Audit Services has been appointed for this period. We are awaiting contact from Azets but we face the real possibility that the 2023/24 audit may be completed before the 2022/23 audit.
- 2.3 Only 9% of local authorities received an audit opinion by 30 September 2022 which is illustrative of the problems in the system.

3.0 Reason(s)

- 3.1 The external auditor is required by auditing standards to present the Committee with their Audit Planning Report.

4.0 Options

- 4.1 Members can ask questions and make observations to the external auditor but they cannot reject the Provisional Audit Planning Report.

5.0 Risks

- 5.1 The delay to the completion of the audit means that staff will need to deal with audit queries from 2021/22 whilst simultaneously preparing the 2024/25 budget which increases pressure on staff.
- 5.2 The production of the budget alongside the audit in the last two years has placed a huge strain on resources and required the Head of Strategic Finance & Property and senior officers in Finance to work long hours and led to the process being both stressful and less than efficient than in previous years. Senior officers had to roll up their sleeves and undertake a lot of work usually undertaken by junior staff. This situation has occurred for the last two years and it looks likely to continue for the next two.
- 5.3 A number of staff are due to reach retirement age in the next 24 months so there is a risk that it will not be possible to recruit suitable replacement staff, particularly qualified staff, due to the national shortage of local authority accountants.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report

Health and Safety

No

Human Resources

These are contained in the main body of the report

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendices:

Appendix A – Provisional Audit Planning Report

Background Papers:
None

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