Rescheduling of the 2018/19 Statement of Accounts Audit

Purpose of report
To provide an update on the timing of the 2018/19 Statement of Accounts Audit

Attachment(s):
Appendix 1 – EY Letter 25th April 2019

1.0 Introduction
1.1 Following disbandment of the Audit Commission, the Government moved the responsibility for external audit contracts for Local Authorities to the Public Sector Audit Appointments (PSAA). Authorities were given the choice to either opt into a national procurement process, or procure their own external auditor. The Council decided to opt into the national exercise for procuring external auditors for the 2018/19 to 2022/23 Statement of Accounts.

1.2 After completion of the national procurement exercise, the Council was formally notified that EY LLP would be the appointed auditor, with their appointment starting on 1st April 2018.

1.3 On 25th April 2019, EY notified the Council in writing that they cannot deliver the 2018/19 Statement of Accounts audit within the statutory timescale of 31st July 2019, due to resource constraints. Instead they are committing to issue the opinion by 30th September 2019.

2.0 Statutory Timescales
2.1 In order to comply with the statutory requirements of the Accounts & Audit Regulations 2015, the Responsible Financial Officer is required to sign the Statement of Accounts by 31st May each year.

2.2 Additionally, the regulations require that the Statement of Accounts be approved by the Governance and Audit Committee, complete with the external auditor’s opinion on whether they represent a true and fair view, by 31st July.

2.3 The PSAA publish details annually of all authorities who have not met the statutory deadline of 31st July for publishing their audited accounts.

3.0 Delay of the External Audit for 2018/19 by EY
3.1 Following discussions with EY, a letter was received advising the Council that they are experiencing ‘high staff turnover and challenges in recruiting new staff’ which is affecting the timetabling of their audits. See Appendix 1 for the letter received.

3.2 The priority for EY is to ensure a high quality audit is undertaken, to meet their responsibilities in issuing the correct audit opinion. Other options were considered, however EY have stated they have no option but to delay the audit for the Council until August/September, with a commitment to deliver the opinion by 30th September.
3.3 The delay in the audit timetable is not unique to East Northamptonshire Council, all the Northamptonshire authorities are affected, as are a number of other councils in the region who are also expecting delays due to EY’s resourcing constraints.

3.4 EY have indicated they anticipate being able to complete their Value for Money (VFM) work before 31st July, and, although they cannot issue an opinion until the financial audit is completed, they will provide an update on their conclusion.

3.5 Another Governance and Audit Committee has been scheduled on 25th September 2019 for the Committee to review and approve the final audited version of the Statement of Accounts.

3.6 The PSAA have said they will ensure that any reports they publish with details of authorities who did not meet the statutory deadline of 31st July for their audited accounts will clearly state EY’s resourcing constraints as the reason why East Northamptonshire was late.

3.7 An Associate Partner of EY will be attending the meeting to address any questions from members of the Committee.

4.0 Equality and Diversity Implications

4.1 This report is purely for information and requires no decision from committee. There are no equality and diversity implications arising from the recommendations in this report.

5.0 Privacy Impact Implications

5.1 There are no privacy impact implications arising from the recommendations in this report.

6.0 Legal Implications

6.1 As stated in section 2 above, the delay in EY’s external audit means that East Northamptonshire Council will not be able to meet its statutory duty of publishing a set of audited financial accounts for 2018/19 by 31st July 2019.

7.0 Risk Management

7.1 This report is for information only. There are no risk management implications arising from the recommendations in this report.

8.0 Resource and Financial Implications

8.1 The rescheduling of the audit will have implications for Encor and the council’s finance team. This knock-on impact is currently being worked through by officers with EY to ensure minimum disruption to other work commitments and internal resourcing constraints in August and September 2019.

9.0 Constitutional Implications

9.1 There are no constitutional implications arising from the recommendations in this report.

10.0 Implications for our Customers

10.1 There are no implications for our customers arising from the recommendations in this report.
11.0 Corporate Outcomes

11.1 This report links to the following Corporate Outcomes:

- **Effective Management**
  
  *Ensuring the Governance and Audit Committee operates effectively in accordance with best practice and its statutory obligations*

**Recommendation**

12.0 The Governance and Audit Committee is recommended to note the contents of this report.

12.1 *(Reason: To ensure the Committee understand the reason for the delay to the audit timetable and recognise the impact on East Northamptonshire Council)*

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**Background Papers:**

Previous reports to Governance and Audit Committee on appointment of External Auditors at meetings held on 30th November 2016, 26th April 2017 and 20th September 2017

**Person Originating Report:** Amy Eyles, Finance Manager

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**Date:** 09/07/2019

(CFO 15/07/19) (MO 15/07/19) (CX 15/07/19)

(Committee Report Normal Rev. 22)
Letter covers:  
- Corby Borough Council.
- Daventry District Council.
- East Northamptonshire Council.
- Kettering Borough Council.
- South Northamptonshire Council.
- Borough Council of Wellingborough.

Dear Chief Financial Officers of the above Councils

ACCOUNTS & AUDIT TIMETABLE 2018/19

As discussed at your meeting on the 25th April, I am now writing to update you on the proposed audit timeline for your 2018/19 audit.

Our responsibilities in relation to Accounts

From the PSAA Statement of responsibilities of auditors and audited bodies, Paragraph 17, available at www.PSAA.co.uk, our responsibilities include:

Auditors provide an opinion on whether the audited body’s financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and

- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

We are also required to conduct our work economically, efficiently and effectively, and in as timely a way as possible.

Your responsibilities in relation to Accounts

Under the Accounts and Audit Regulations 2015, Regulation 10, your responsibilities for publication of the Accounts are as follows:

Publication of statement of accounts, annual governance statement and narrative statement for Category 1 authorities

10.—(1) A Category 1 authority must, after approving the statement of accounts in accordance with regulation 9(2) but not later than 31st July of the financial year immediately following the end of the financial year to which the statement relates, publish (which must include publication on the authority’s website)—
(a) the statement of accounts together with any certificate or opinion, entered by the local auditor in accordance with section 20(2) of the Act;

(b) the annual governance statement approved in accordance with regulation 6(2); and

(c) the narrative statement prepared in accordance with regulation 8.

(2) Where an audit of accounts has not been concluded before the date specified in paragraph (1) an authority must—

(a) publish (which must include publication on the authority’s website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and

(b) comply with paragraph (1) as if for “but not later than 31st July of the financial year immediately following the end of the financial year to which the statement relates” there were substituted “as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”.

Audit timing 2019

Our priority is to ensure high quality in undertaking our audits, as this is key to ensuring we meet our responsibilities and issue the correct opinion.

As your auditors we try to conduct our work in as timely a manner as possible, having regard to your responsibilities. Unfortunately, we are experiencing staff turnover and challenges in recruiting new staff, which affect the audit timetable. To ensure you receive the best quality audit from EY, we are proposing an alternative timetable for your 2018/19 audit. Our proposal is that your audit will take place during August and September 2019 and we will work with you to agree a revised detailed delivery and reporting timetable.

We have explained our decision to reschedule a number of audits to Public Sector Audit Appointments and committed to keep them informed about both our discussions with clients and our plans to increase recruitment. They share our overriding concern to ensure delivery of a quality audit. They have also sought reassurance that EY will make every effort to minimise inconvenience to clients and to complete rescheduled audits as soon as possible after 31 July. We have been happy to give that reassurance.
Whilst we always strive to provide excellent client service, my first priority must be to safeguard the quality of the audits provided, and avoid putting our professional standards at risk. I apologise for the inconvenience that the rescheduling of your audit may cause. We will work with you to ensure that any disruption is minimised.

Yours sincerely

Neil Harris
Associate Partner
Ernst & Young LLP
United Kingdom