

STANDARDS AND AUDIT COMMITTEE – 2 MARCH 2023

## UPDATE ON EXTERNAL AUDIT

### Executive Summary

The Council's External Auditor, BDO, continue to work on the 2019/20 Statement of Accounts. BDO will attend the meeting to provide a verbal update on their work.

The outstanding work in progress relates to:

- the group consolidation, audit of Thameswey 2019 accounts and recoverability of loans to subsidiary entities;
- the calculation of Minimum Revenue Provision (MRP); and
- the value for money conclusion

Since the last meeting progress has been limited to agreeing an audit approach for the Thameswey Group consolidation into the Council accounts. This will require additional audit work on the Thameswey December 2019 balances. Once the detailed work programme has been agreed with Thameswey, BDO will seek to identify resources to complete the work.

Following a recommendation from this Committee, in November 2022 the Council wrote to Neil Harris the newly appointed Head of Local Audit at the Financial Reporting Council (FRC). It is proposed that the FRC will transition to the Audit, Reporting and Governance Authority (ARGA). Mr Harris will help to establish a new local audit unit, ahead of assuming the "systems leader" role for local authority financial reporting and audit

The Chief Executive, Strategic Director – Corporate Resources, and Finance Director have met with Mr Harris twice to explore the position of the Woking audit and what opportunities there could be to achieve a resolution.

The key points from these meetings were:

- It is acknowledged that there are currently significant issues within Local Authority audit as a result of increased audit requirements, auditor resourcing issues and increasingly complex accounts;
- There are no 'easy' options to resolve the current backlog which continues to increase;
- The relevant authorities are open to considering solutions which could include a 'backstop' date after which an opinion must be provided (which would increase qualified opinions), consolidation of accounts to cover multiple years or a reduction in audit requirements for specific balances such as valuations of operational assets; and
- Solutions may require legislation to be enacted

A meeting has also been held with Public Sector Audit Appointments (PSAA), who appoint auditors to Local Authorities, to escalate the position of the Council's audit. Similar issues were discussed. It was established that there is no mechanism to move more rapidly to Grant Thornton, the Council's newly appointed auditor for the 2023/24 audit year.

The Council will continue to engage with the FRC, PSAA and the Department for Levelling Up, Housing and Communities (DLUHC) to urge action to be taken on the audit market issues and potential solutions.

STA23-001

**Recommendations**

The Committee is requested to:

**RESOLVE That** the update be received.

The Committee has the authority to determine the recommendation(s) set out above.

**Background Papers:** None.

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