



BDO AUDIT STATUS REPORT

London Borough of Barnet

8 November 2023

EXECUTIVE SUMMARY



AUDIT STATUS AND COMPLETION PLAN

2020/21

- ▶ On the following page we set out the status of the audit for the period ended 31 March 2021 including outstanding work, issues to resolve and a timetable when we expect to complete.
- ▶ The key areas of work not yet concluded are:
 - clearance of review points on Property, Plant and Equipment (PPE)
 - Audit procedures on Infrastructure Assets are now complete but subject to senior team review
 - completion of testing on the classification of Brent Cross Assets.
- ▶ At the GARMS Committee meeting on 16 October 2023, we notified the Committee that a whistle blower complaint had been brought to our attention that has relevance to the 2020/21 financial year. We are in the process of considering the potential implications for our 2020/21 use of resources and financial statements opinions and whether it will be necessary to undertake any extended audit procedures in response.

2021/22 and 2022/23

- ▶ Further to our letter to you on 17 January 2023 regarding the timelines for 2021/22 audits, we agreed to provide an indicative timetable for our audit of this and the 2022/23 audit years.
 - ▶ We prepared this indicative timetable and shared it with the GARMS Committee at its meeting on 23 July 2023. It indicated that, with no intervention in the form of a radical solution for addressing the national backlog in local government audit delivery, we would anticipate completing the 2021/22 audit by the end of 2024 and the 2022/23 audit by the summer of 2025.
 - ▶ As noted on the previous page, collaborative work is being undertaken at pace between all stakeholders with a view to developing a solution to the backlog but the outcomes of this work are not yet known at the time of drafting this report. We are expecting more clarity on this to be announced before the end of November, but the current proposal is a backstop date of 31 March 2024 for 2020/21 audits.
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EXECUTIVE SUMMARY



This report provides the Governance, Audit, Risk Management and Standards Committee with an update on the progress of our audits and plans to clear the backlog of work.

DLUHC wrote to all local authorities and audit firms on 14 March 2023 requesting that auditors provide Audit Committees with a realistic project and delivery plan for delayed audits and the critical dependencies.

Issues nationally that have increased the resources required to complete local authority audits or have caused delays include:

- ▶ Backlog initially created during Covid and lockdown that has not been recovered
- ▶ Enhanced quality requirements following well publicised audit failures
- ▶ Implementation of new auditing standards
- ▶ Infrastructure accounting and inadequate historical records for highways and infrastructure spend
- ▶ Deficiencies in the quality of pre-audit statements and working papers prepared in advance of the audit
- ▶ Increased complexity of group structures, nature of transactions and asset ownership
- ▶ Difficulty recruiting auditors to the sector.

NATIONAL PICTURE

2019/20

Only 45% of all 2019/20 local government bodies received an audit opinion by the extended deadline of 30 November 2020 and 44 (9%) had still not received the audit opinion by 31 December 2022.

2020/21

Only 9% of all 2020/21 local government bodies received an audit opinion by the extended deadline of 30 September 2021 and 35% had still not received the audit opinion by 30 September 2022.

2021/22

Only 12% of all 2021/22 local government bodies received an audit opinion by the extended deadline of 30 November 2022 and 373 remain outstanding.

2022/23

Only 1% of all 2022/23 local government bodies received an audit opinion by the publishing deadline of 30 September 2023, with 456 opinions still outstanding from previous years at the same date. This is the last audit year of the current PSAA framework contract.

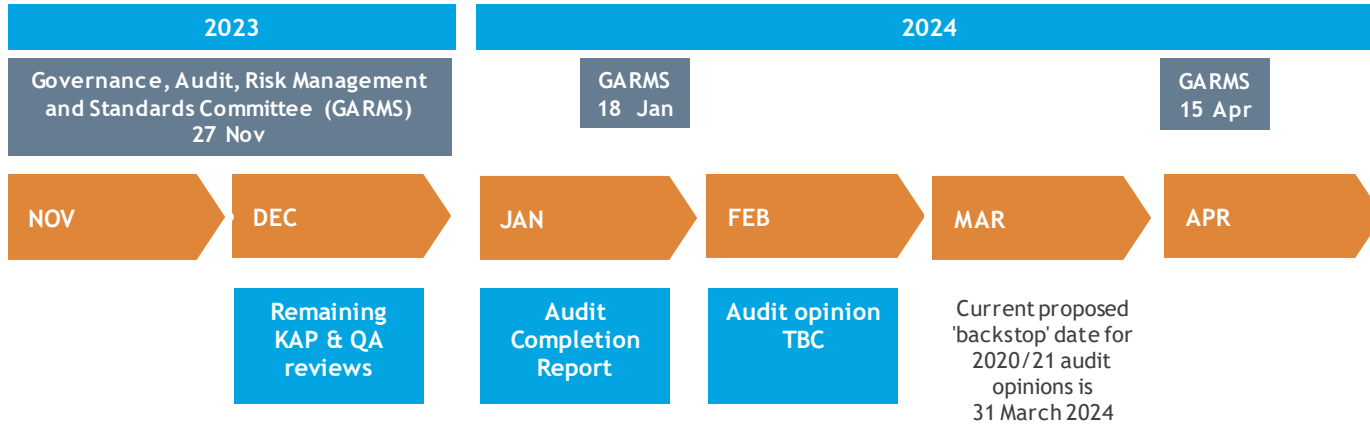
Audit capacity and costs

The latest procurement by PSAA for contracts commencing for year ends 31 March 2024 increased audit fees by 150% and Government has pledged to make an additional £60m of funding available over four years from 2021/22.

Addressing the audit backlog in local government

There is recognition by all stakeholders that action needs to be taken to address the national backlog described above. As reported to the last meeting of the GARMS Committee, Lee Rowley MP is leading the joint work being done by DLUHC, NAO, PSAA, FRC, CIPFA, local authorities and audit suppliers to agree a solution. To date proposals have been made to set a 'backstop' date or series of dates by which audits will need to be opined upon, which may require some form of qualification of the auditor's report where work is not fully completed, but this is not yet confirmed. A period of consultation will be required before any proposals can be adopted in practice.

YEAR ENDED 31 MARCH 2021



WORK COMPLETED

- ▶ Fieldwork audit procedures are complete
- ▶ Financial statements reviewed with proposed amendments provided to management and a revised version of the financial statements has been received

WORK TO COMPLETE

- ▶ KAP and Quality Assurance review of Property, Plant & Equipment and audit team clearance of any review points raised
- ▶ Clearance of Manager and KAP review points on other areas already reviewed
- ▶ Review of final version of the financial statements against audit feedback and results provided
- ▶ Clearance of outstanding technical review points raised on the draft financial statements by BDO's Financial Reporting Technical Standards reviewer
- ▶ Conclude inquiries into matters brought to the attention of the auditor under whistleblowing procedures that have relevance to the 2020/21 audit
- ▶ Reporting of final audit results to the Governance, Audit, Risk Management and Standards Committee

ISSUES TO RESOLVE

- ▶ Classification of Brent Cross asset - management have provided the requested information and BDO need to conclude on the classification
- ▶ Review of work completed on implementation of the infrastructure assets temporary accounting solution - this is in the final stages of query resolution
- ▶ Conclude on implications of matters brought to the auditor's attention under whistleblowing procedures.



FOR MORE INFORMATION:

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