

Report to: Governance and Audit Committee

Date: 27 November 2020

Subject: External audit progress report

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1. Purpose of this report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

2. Information

Annual Accounts 2019/20

- 2.1 It was reported to the July 2020 meeting that due to the recent Covid-19 outbreak, public authorities have been granted deadline extensions for the annual accounts, with final / audited accounts due by 30th November 2020.
- 2.2 Every effort had been made to present the final accounts earlier and draft accounts were published in time. However due to matters outside our control, some important and necessary work and external assurances have been delayed, most notably external audit assurance on the pension disclosure figures.
- 2.3 For this reason, and because it is still within the statutory deadline for 2019/20 accounts, the accounts and audit completion report are presented on a separate report on today's agenda. Mazars will be available at the meeting to present the work they have undertaken.

Public Sector Audit Appointments Ltd (PSAA) Update

- 2.4 The following paragraphs provided a summary of the most recent update regarding the Redmond Review consultation (2019), that we responded to and invited views from those with a direct or indirect interest in local authority audit and financial reporting.

- 2.5 At the July 2020 meeting, members were informed that the consultation had been delayed slightly by the coronavirus pandemic but was eventually published in September 2020.
- 2.6 An executive summary and recommendations from this review are attached at Appendix 1. A brief summary extract is as follows
- (i) Its main recommendation is the creation of a new body, the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit. This body will take over all the functions currently exercised by PSAA, as well as some functions currently carried out by other bodies such as the National Audit Office, the Financial Reporting Council and the Institute of Chartered Accountants in England and Wales;
 - (ii) All auditors engaged in local audit be provided with the requisite skills and training;
 - (iii) The current fee structure for local audit be revised;
 - (iv) External Audit recognises that Internal Audit work can be a key support;
 - (v) The deadline for publishing audited local authority accounts be revisited, along with a review to determine whether there is scope to simplify the accounts.

PSAA fee variations consultation

- 2.7 PSAA has advised of a consultation underway to change the process for the approval of fee variations, distinguishing those that impact across the sector from those that are localised. Appendix 2 sets out further detail and the Committee is asked if it wishes to make a response.

Audit Engagement Lead

- 2.8 Mazar has advised the Combined Authority that the Engagement Lead for the Combined Authority from next year will be Mark Dalton. Mark Kirkham has been the partner on the audit for five years and in line with best practice and the FRC's ethical standard that ensure continued objectivity, he is required to move to other clients. Mark Dalton has previously worked on the Combined Authority audit and will bring that previous knowledge and experience with him.

3. Financial Implications

- 3.1 As set out in the report.

4. Legal Implications

- 4.1 There are no legal implications directly arising from this report.

5. Staffing Implications

- 5.1 There are no staffing implications directly arising from this report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee consider the information provided on external audit matters.

8. Background Documents

None.

9. Appendices

Appendix 1 – Redmond Review: Executive Summary and Recommendations

Appendix 2 – PSAA consultation on fee variations