

REPORT TO:	AUDIT COMMITTEE		
DATE:	24 June 2024		
PORTFOLIO:	Councillor Noordad Aziz/Councillor Vanessa Alexandra – Finance and The Budget Process		
REPORT AUTHOR:	Martin Dyson, Executive Director (Resources)		
TITLE OF REPORT:	Progress Update on Annual Statement of Accounts		
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable	
KEY DECISION:	No	If yes, date of publication:	

1. **Purpose of the Report**

- 1.1 The report is to update on the Councils' status on the production of their annual statement of accounts, the external audit progress and the national position regarding the backlog of external audit work.

2. **Recommendations**

- 1.1 The Audit Committee is recommended to note:

- the updates provided on the 2021/2022, 2022/2023 and 2023/2024 Statement of Accounts and external audits.
- the update on the national position of the external audits and the work being undertaken by the relevant bodies to find a solution(s) to the backlog.
- the change of name of the Councils external auditors.

3. **Reasons for Recommendations and Background**

- 3.1 The meeting of the Audit Committee 26 June 2023 agreed a recommendation to regularly update the committee on any management actions required resulting from external audit recommendations, the latest position on the production and audit of any subsequent year's accounts and any other updates around increasing assurance on the Councils financial health.

- 3.2 As previously reported to this committee, there are significant challenges and delays to the completion of external audits across the sector. The Public Sector Audit Appointments Ltd (PSAA) reported on 10 October 2023 that only 5 out of 467 local government bodies' 2022/23 audit opinion had been given by the statutory deadline of 30 September 2023, representing 1%. By 31 December 2023 this had reached 45 2022/23 audits, 10%. The cumulative total for the backlog of outstanding audits had reduced to 771 across the sector (914 at 10 October 2023).

- 3.3 On 8 February 2024, the Minister for Local Government (Simon Hoare) wrote to councils and audit firms to launch a consultation from the Department of Levelling Up, Housing and Communities (DLUHC) on proposals to address the backlog. The main proposal is to introduce the concept of a backstop date for the completion of outstanding audits. The backstop date for accounts for 2015/16 through to 2022/23 is proposed to be 30 September 2024. Further backstop dates are proposed for the 'Recovery Period' of 2023/24 to 2027/28 as follows:
- 2023/24: 31 May 2025
 - 2024/25: 31 March 2026
 - 2025/26: 31 January 2027
 - 2026/27: 30 November 2027
 - 2027/28: 30 November 2028
- 3.4 The legislation will require auditors to issue a modified or disclaimed opinion and audited accounts to be published by the relevant backstop, regardless of the progress of the audit.
- 3.5 Alongside the DLUHC consultation, a joint statement was issued with the Financial Reporting Council (FRC) who regulate external auditors and a consultation was also issued by the National Audit Office (NAO) on changes to the Code of Audit Practice to complement the DLUHC proposals. Both consultations closed on 7 March.
- 3.6 Following the closure of the consultations, it is expected that government will move to make the required regulatory changes in late spring, early summer. The Council's auditors, Forvis Mazars, have indicated that they will not be able to formally set out their approach until this has taken place. It is the view of officers that it is highly unlikely that there will be time and capacity to complete the audit for 2022/23 before the backstop date. Officers are therefore working on the assumption that the audit opinion will be disclaimed for this year.
- 3.7 The Value for Money element of the annual audit cannot be disclaimed. Therefore, Forvis Mazars will have to undertake work in this area for 2021/22 and 2022/23. This audit work is expected to be completed before the backstop date of 30 September 2024. However, the auditors will not issue the value for money commentary until a position is agreed regarding the audit of the statement of accounts.
- 3.8 It is clear that in order for auditors to disclaim their opinion on a statement of accounts, a draft must have been formally issued and undergone public inspection. This has already been completed for 2021/22 and the 2022/23 inspection period ended on 10 April 2024.
- 3.9 The Council's appointed external auditors formerly known as Mazars has been rebranded as Forvis Mazars with effect from 1 June 2024. Whilst the company has had a name change through a rebranding process, there will be no change to the team, values and services provided to the Council. All updates and reports will now be in the new brand name.

4. The 2021/2022 Draft Statement of Accounts

4.1 The un-audited accounts for 2021/22 was published on the Councils' website on the 8th of August 2023 and were completed beyond the statutory deadline of 31st July 2022.

4.3 There are several factors that delayed the production of these accounts and the subsequent audit. These relate to:

- Changes resulting from the previous years' audit on the 2020/2021 statement of accounts.
- Staffing resources within the Council due to sickness, recruitment and the retirement of key staff involved in the preparation of the accounts.
- External audit recommendation requesting a recalculation to the pension's information provided by the actuary. This will reduce the potential for material changes in values for the final approved audited accounts.
- Staffing resources for the external auditors.

4.4 The external audit of the 2021/2022 accounts is currently underway and is expected to be completed by July 2024.

5. The 2022/2023 Draft Statement of Accounts

5.1 The un-audited accounts for 2022/23 was published on the Councils' website on the 23 February 2024.

5.2 The delay in publishing these accounts related to a known discrepancy in the recalculated figures provided by the pension actuary and this has now been resolved.

5.3 To date, there is no formal agreement on a timeframe for the audit of these accounts and this may be dependent upon the outcome of the solution(s) reached to determine the reduction of the national audit backlog situation.

6. The 2023/2024 Draft Statement of Accounts

6.1 The un-audited accounts for 2023/24 were due to be published on the Councils website by 31 May 2024. It has not been possible to achieve this deadline and it is now expected that the statements will be published on the Councils' website by 30 June 2024.

6.2 The delay in publishing these accounts has related to staffing resourcing issues within the finance team and the implementation of the new financial system.

6.3 To date, there is no formal agreement on a timeframe for the audit of these accounts and this may be dependent upon the outcome of the solution(s) reached to determine the reduction of the national audit backlog situation.

6.4 Nationally, there have been continuing delays in the publishing of statement of accounts by local authorities, with only 40% of authorities achieving the 31 May deadline.

7. Alternative Options considered and Reasons for Rejection

7.1 There are no alternative options.

8. Consultations

8.1 None

9. Implications

Financial implications (including any future financial commitments for the Council)	None arising from this report.
Legal and human rights implications	Accounts and Audit Regulations 2015 require the Council to approve and publish its audited Statement of Accounts by 31st November. Councillors' will be asked to approve the accounts for 2021/2022 at a later meeting in the new year once the audit has taken place.
Assessment of risk	None.
Equality and diversity implications <i>A <u>Customer First Analysis</u> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	None.

10. Local Government (Access to Information) Act 1985: List of Background Papers

10.1 None.