

Report to Audit and Risk Assurance Committee

18 September 2024

Subject:	Timetable for Production and Audit of the 2022/23 and 2023/24 Statements of Accounts
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1 Recommendations

- 1.1 To approve the Council's plan for preparation and audit of the 2022/23 and 2023/24 Statements of Accounts.
- 1.2 To consider and comment on Grant Thornton's Audit Plans for the audit of the Statements of Accounts for 2022/23 and 2023/24.

2 Reasons for Recommendation

- 2.1 The Audit and Risk Assurance Committee oversees the financial reporting and annual governance processes of the Council. Production of the Council's annual Statement of Accounts is one of the most significant components of the Council's financial reporting. This report provides a situation report on the progress with delivery of the outstanding Statements of Accounts and also provides a plan to become up to date with the Statements of Accounts, which Audit and Risk Assurance Committee is asked to approve.
- 2.2 In accordance with the Council's plan, the draft Statement of Accounts for 2022/23 is due to be published in mid-September 2024.

3 How does this deliver objectives of the Corporate Plan?

- 3.1 The Statement of Accounts considers the overall financial position of the local authority, including the level of assets and balances held. The financial position of the authority underpins all of the authority's activities, and therefore underpins the Corporate Plan.
- 3.2 The work of the Council's external auditors is an important element of the accountability and transparency of the council's financial arrangements, and those arrangements help to support all of the council's objectives.

4 Context and Key Issues

Plan for Preparation and Audit of the Statements of Accounts for 2022/23 and 2023/24

- 4.1 On 1 August 2024, the audit of the Council's 2021/22 Statement of Accounts was completed and an unqualified audit opinion was issued by the external auditor, Grant Thornton, on the accounts.
- 4.2 Following publication of the audited Statement of Accounts for 2021/22, the Council has been working on the draft Statement of Accounts for the year ending 31 March 2023, and this work is substantially complete and expected to be presented to the auditor, and published, during mid-September 2024. Grant Thornton commenced work on detailed audit testing of 2022/23 transactions and working papers in August 2024.
- 4.3 The statutory deadlines for publishing unaudited accounts for 2022/23 and 2023/24 were 31 May 2023 and 31 May 2024 respectively. As outlined in previous reports presented to the Audit and Risk Assurance Committee, there have been significant delays in finalising financial statements relating to previous financial years, due to technical accounting issues, resource issues and delays in carrying out audit work, and this has led to a resulting delay in producing the Statements of Accounts for 2022/23 and 2023/24.
- 4.4 The issues faced by the Council are being experienced by local authorities across the country, and the backlog in the publication of audited accounts of local bodies in England is expected to reach approximately 1,000 by the end of September 2024. According to the government, last year, just 1% of councils and other local bodies published audited accounts on time.

- 4.5 In order to deal with the backlog of outstanding unaudited accounts across local bodies, on 31 July 2024, the Ministry of Housing, Communities and Local Government (MHCLG) announced their intention to implement a series of 'backstop' deadlines, by which audits of outstanding accounts must have been completed. The government's plan is that secondary legislation will be laid to set a statutory backstop of 13 December 2024 for the publication of audited accounts for all financial years up-to-and-including 2022/23. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 "to allow full assurance to be rebuilt over several audit cycles".
- 4.6 The proposed backstop dates are:
- Financial years up-to-and-including 2022/23: 13 December 2024
 - Financial year 2023/24: 28 February 2025
 - Financial year 2024/25: 27 February 2026
 - Financial year 2025/26: 31 January 2027
 - Financial year 2026/27: 30 November 2027
 - Financial year 2027/28: 30 November 2028
- 4.7 In order to comply with the anticipated backstop legislation described in paragraphs 4.5 and 4.6 above, time would not allow for a full audit to take place of both sets of the Council's outstanding accounts. Therefore, the council must now be prepared that it is likely that Grant Thornton will apply the backstop for both financial years. As full audits are unlikely to be able to take place due to limitation of time, Grant Thornton's audit reports are likely to be issued as a disclaimer of opinion. Effectively this means that the auditor will have been unable to gain the assurance necessary to give an unmodified audit opinion by the anticipated statutory backstop date. In plain terms, a disclaimer means that the auditor has been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing.
- 4.8 The government recognises that due to time constraints, not all audits will be completed in full by the proposed 13 December 2024 and 28 February 2025 backstop deadlines. Where this is case, MHCLG expects that auditors will issue 'disclaimed' or 'modified' audit opinions. Auditors are likely to issue hundreds of 'disclaimed' audit opinions and disclaimed opinions will potentially continue for some bodies for a number of years. The government has stated that "local bodies should not be unfairly judged based on disclaimed or modified opinions, caused by the

breakdown in the system and the introduction of backstop dates that are largely beyond their control”.

- 4.9 The government has also stated that if any bodies fail to comply with a backstop date they would be required to publish an explanation, send a copy to the Secretary of State, and publish audited accounts as soon as practicable. The government also intends to publish a list of bodies and auditors that do not meet the proposed backstop dates.
- 4.10 Although compliance with the expected backstop legislation will mean that full audits will not take place, partial audits of both the 2022/23 and 2023/24 accounts will still include income and expenditure, debtors and creditors and key balance sheet areas. Grant Thornton will prioritise areas of the accounts which would impact on the General Fund balances, with the aim that they can provide the Council with assurance over its useable reserves.
- 4.11 Grant Thornton has stated, however, that it is highly likely that they would be unable to undertake sufficient procedures on capital to provide the Council with assurance over these areas and that their opinion would likely be qualified in relation to the property, plant and equipment (PPE) disclosures on the balance sheet and the capital related unusable reserve.
- 4.12 Audit of all aspects affecting the General Fund and useable reserves will, however, provide assurance on those items and allow the council to keep control of them, and it will leave the council most suitably prepared to start the 2024/25 closedown process on 1st April 2025, with 2023/24 closing balances of useable reserves agreed. This will leave the council in a good position going into the 2024/25 audit, to ensure that the audit is carried out in a timely manner so that unqualified audit opinions can resume for the council as soon as possible.
- 4.13 If, during the course of the audits, Grant Thornton identifies weaknesses in the Council’s arrangements for accounts closedown, they will report these in the usual way in their Audit Findings Report, which they will produce at the conclusion of the audits.
- 4.14 As a result of MHCLG’s announcement on the proposed backstop legislation, the Council intends to work to the following timetable in order to become up to date with its outstanding Statements of Accounts.

Statement of Accounts	Status	Draft Accounts to be Produced by	Audit to be Completed by (MHCLG Anticipated Backstop Deadline)	Type of Audit Expected
Year ending 31 st March 2023	Delayed	Mid September 2024	13 th December 2024	Partial audit
Year ending 31 st March 2024	Delayed	Mid November 2024	28 th February 2025	Partial audit
Year ending 31 st March 2025	Will be delivered on time to statutory timetable	30 th June 2025	27 th February 2026	Full audit

Accounting Policies

- 4.15 The council's S151 Officer has applied a change to accounting policy to the draft Statement of Accounts for 2022/23 in relation to the frequency of valuation of heritage assets. The Council's policy to date has been that museum exhibits, fine art collections and civic regalia should be revalued by external valuers or relevant experts every five years.
- 4.16 In relation to museum exhibits, fine art collections and civic regalia, the Code states that "Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed maximum period between valuations. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current".
- 4.17 The Council believes that a five year revaluation schedule is unusual for museum exhibits, fine art collections and civic regalia, due to the significant amount of work required to undertake the valuations, and the cost of that work in comparison with the likely limited movement in valuations. Therefore, a more efficient revaluation cycle is considered to be 10 years. The Council will therefore proceed with a policy of 10 yearly revaluations in this area going forward.

4.18 No other changes to accounting policy have taken place within the draft Statement of Accounts for 2022/23.

Audit Plans

4.19 Grant Thornton's Audit Plans for the 2022/23 and 2023/24 financial years are attached at appendices 1 and 2 respectively, for the committee's consideration and comment.

5 Alternative Options

5.1 The Council has considered three options when deciding how to utilise the time available until February 2025, when determining how to respond to the anticipated government backstop legislation. Option 1, which is set out in section 4.14 of the report, is recommended to the Audit and Risk Assurance Committee, for the reasons set out below.

Option	Description of Option	Advantages	Disadvantages and Risks
Option 1	Partial audit of both 2022/23 and 2023/24 accounts. Audit time between August 2024 and February 2025 to be divided equally into two three month blocks	Enables the external auditor to focus on all items impacting on useable reserves for both financial years, ensuring that the council retains assurance and control in this area Leaves the council best prepared for 2024/25 closure of accounts and resulting audit	Two disclaimed audit opinions likely to be received
Option 2	Full audit of 2022/23 accounts and very limited or no audit of 2023/24 accounts	Could result in an unqualified audit opinion of the 2022/23 Statement of Accounts, therefore it could be the case that only one disclaimed opinion would be received	May not be feasible to complete a full audit of 2022/23 accounts by 13 th December, so risk remains that two disclaimed opinions could be received.

			<p>Does not provide ongoing assurance of level of useable reserves, as no assurance would be provided for 2023/24 accounts.</p> <p>2024/25 audit would take significantly longer as the auditor would need to carry out additional work to establish/verify 2024/25 opening balances</p>
Option 3	Very limited or no audit of 2022/23 accounts and full audit of 2023/24 accounts	Could result in an unqualified audit opinion for 2023/24, therefore it could be the case that only one disclaimed opinion would be received	<p>Draft Statement of Accounts for 2023/24 unlikely to be prepared with sufficient time for full audit to take place.</p> <p>Without having undertaken an audit of the 2022/23 accounts, additional audit time would be required to establish/verify 2023/24 opening balances, and there would not be time for this work to take place.</p> <p>Due to insufficient time, it would be very likely that two disclaimed opinions would still be received, but under this option the Council would not retain assurance over useable</p>

			reserve balances for 2022/23.
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6 Implications

Resources:	<p>The Council's Statements of Accounts consider the overall financial position of the authority. The accounts consider the level of assets controlled and owned by the authority, and the level of balances held.</p> <p>Additional resources are currently in place within the Finance function to provide additional capacity and technical skills in order that the Council can deliver the outstanding Statements of Accounts to the revised timetable set out in this report. The additional resources will be funded from earmarked reserves set aside for this purpose.</p>
Legal and Governance:	<p>The Statement of Accounts is a statutory document. The Local Government Act 2003 (section 21) enables the Secretary of State to issue regulation on the preparation and publication of accounts for local authorities, which is fulfilled by the Accounts and Audit Regulations 2015 (as amended).</p>
Risk:	<p>Risks to the Council of the plan to becoming up to date with Statements of Accounts are set out in sections 4 and 5 of this report.</p> <p>The work of the external auditor will focus primarily on areas of highest material risk, in accordance with the auditor's Audit Plans.</p>
Equality:	<p>It was not necessary to undertake an Equality Impact Assessment.</p>
Health and Wellbeing:	<p>There are no direct health and wellbeing implications from this report.</p>
Social Value	<p>There are no direct social value implications from this report.</p>
Climate Change	<p>There are no direct climate change implications from this report.</p>
Corporate Parenting	<p>There are no direct corporate parenting implications from this report.</p>

7. Appendices

Appendix 1 - Grant Thornton's Audit Plan for the Year Ending 31 March 2023

Appendix 2 – Grant Thornton's Audit Plan for the Year Ending 31 March 2024

8. Background Papers

Report to Audit and Risk Assurance Committee on 18 July 2024 –
Statement of Accounts for 2021/22