

Slough Borough Council

Information needed	Details
Report To:	Audit and Corporate Governance Committee
Date:	30 th September 2024
Subject:	Backlog Statement of Accounts 2019/20 to 2022/23 Update Report
Chief Officer:	Annabel Scholes – Executive Director of Finance and Commercial
Contact Officer:	Chris Holme – Finance Director (Corporate and Strategic)
Ward(s):	N/A
Exempt:	NO
Appendices:	Appendix 1 – Updated timelines for completion of the 2019/20 to 2022/23 and 2023/24 backlog accounts process

1. Summary and Recommendations

- 1.1 In March this year we reported to Committee on the draft Accounts and Audit (Amendment) Regulations 2024, published in February 2024 which were intended to amend the Accounts and Audit Regulations 2015, and set out a timetable and statutory deadline for audit of outstanding local authority Statements of Accounts to 2022/23. It was anticipated that the draft regulations would have been enacted before the election, but that did not happen, and following the general election the Secretary of State wrote to all local authorities setting out the Government's intention to amend the backlog accounts process. This report updates Committee on the revised draft statutory timetable.
- 1.2 The March report provided a timeline for preparation and publication of draft accounts, the public inspection periods and indicative external audit arrangements, in order to comply with the then backstop date of 30th September for publication of those audited accounts. In July, an update report was presented to Committee with revised timelines which took account of specific problems being encountered in completion of the 2021/22 Statement of Accounts.
- 1.3 This report provides an update on that process and revisions to the timetable as we have continued to encounter significant legacy issues arising from lack of historic reconciliations, inadequacy of accounts postings and evidential record keeping with regard to the 2021/22 accounts. Some issues go back to prior years, and it has had a significant impact on our ability to publish draft accounts within the timetable reported on in July, and additionally, we are now working to publish all draft statements of accounts up to and including 2023/24 by December to comply with the revised backstop audit dates of 13th December for accounts up to 2022/23 and 28th February for the 2023/24 accounts.
- 1.4 Grant Thornton, the Council's external auditor, will report separately on the audit process.

Recommendations:

Audit and Corporate Governance Committee is recommended to:

- a) Note the changes to the deadlines for production of 2019/20 to 2022/23 audited Statements of Accounts and the 2023/24 audited Statement of Accounts as set out in paragraph 3.2 of this report.
- b) Note, and comment on as appropriate, the progress and current position regarding finalisation of backlog Statements of Accounts for financial years 2021/22 and 2022/23 as set out in paragraphs 4.2 to 4.8 of this report.
- c) Note, and consider the revised timetable for completion of backlog Statements of Accounts to 2023/24 as set out in Appendix 1 to this report.

Commissioner Review

A key component to ensure that local authorities remain accountable to the citizens that rely on their services is the publication of audited financial statements.

Under the proposals to reset and recover the local accounts and audit system, both the Council as preparers of accounts that show a 'True and Fair' view, and auditors have important responsibilities. The Commissioners note the content of this report and the importance of the Council and its auditors promptly ascertaining the extent and impact of the challenges that are outlined in this report, and the timing and level of the resources necessary to mitigate the underlying risks of the delayed publication of the accounts, beyond the new audit backstop dates.

2. Report

Introductory Paragraph

- 2.1 The former Secretary of State issued draft Accounts and Audit (Amendment) Regulations 2024 in February, setting out the requirements for publication of backlog statements of accounts. Officers have continued to work to a very challenging timetable to prepare, publish for public inspection and have audited four separate Statements of Accounts (2019/20 to 2022/23), and must now also complete the 2023/24 accounts within a timetable that facilitates a full audit to be undertaken by the end of February 2025.
- 2.2 In July we updated Committee and highlighted particular issues relating to the 2021/22 process, having published the 2019/20 and 2020/21 draft accounts over the spring/summer period. Many of those issues are ongoing and have delayed publication of the 2021/22 accounts.

Options Considered

Amendments to the Accounts and Audit Regulations 2015 have now been laid before Parliament and set out a new statutory timetable for closure of the backlog Statements of Accounts. The timescales remain very challenging for the Council due to the number of outstanding accounts it has been required to produce, and the issues we have continued to encounter relating to lack of proper accounting records and updated reconciliations.

The amended regulations state that for the financial years 2015/16 to 2022/23, the deadline to publish audited accounts and statements is now 13th December 2024. This requires the published statement of accounts to be approved by the Council in accordance with the regulations, having been published in draft form for statutory public inspection, and include a certificate of opinion from the external auditor. Furthermore, the process for

the 2023/24 accounts has been brought forward from the end of May 2025 to the end of February. This brings a new challenge in the context of Slough's position.

The Council must take all necessary steps to close off its previous years' statement of accounts and put in place systems to ensure that it can close accounts in a more timely manner in the future. For these reasons, no other options can be considered.

3. Background

- 3.1 The former Secretary of State, as of February 2024, issued draft Accounts and Audit (Amendment) Regulations 2024, following consultation with the sector and other stakeholders, which sets out the requirements for publication of statement of accounts, annual governance statement and narrative statement for local authorities - financial years 2015-2027. Under the draft regulations, a deadline for delivery of audited (backlog) statements of accounts up to and including financial year 2022/23 of 30th September 2024 and 31st May 2025 for audited 2023/24 accounts.
- 3.2 Following the general election of 4th July the new Secretary of State wrote to all local authorities setting his intention to amend the deadlines to provide for an initial backstop date of 13th December 2024 for financial years (FYs) up to and including 2022/23, and 28th February for 2023/24. Secondary legislation to that effect was published on 10th September. All local authorities are now duty bound to comply with the amended regulations, which provide a way forward to deal with the national backlog of local authority accounts. All Statements of Accounts up to and including 2022/23, must now be completed and audited by 13th December 2024.
- 3.3 Timely and high-quality financial reporting and audit of local authorities is vital. Not only does it support good decision making by those authorities, by enabling them to plan effectively, make informed decisions and manage their services - it ensures transparency and accountability to local taxpayers. Whilst the majority of local authorities have experienced significant backlogs in the publication of audited accounts, as reported at previous meetings, the position in Slough has been compounded by a legacy of inadequate record keeping and lack of progress in historic accounts preparation.
- 3.4 The Council's final Statement of Accounts for 2018/19 were signed off by the former Executive Director of Finance and Commercial in her capacity as S151 Officer in April, and although they have received a formal audit opinion an issue arising from the 2021/22 accounts has meant we have had to revisit and are assessing whether any change is required. The auditors also require a going concern note from the Council before formal sign-off. As the Committee has been previously advised, it is a disclaimed audit opinion.

4. Backlog Accounts – Current Position

- 4.1 The 2019/20 and 2020/21 draft Statements of Accounts were presented to this Committee at its meeting of the 25th May 2024, and both were published for a statutory 30 day public inspection period, which has since concluded for both sets of accounts. There were no requests from residents or local stakeholders to inspect any part of either of the accounts and there have been no questions to the external auditor from any local electors relating to those accounts. They are available for audit by Grant Thornton, and we are hopeful that audit opinion may be available in time for the November meeting of this Committee on those accounts. However, following on from issues identified as part of the 2021/22 process, we are assessing whether any additional changes are required to both sets of accounts as part of the audit process.

- 4.2 As reported in July we have continued to experience significant issues relating to completion of the 2021/22 accounts, due to poor record keeping, lack of accounting reconciliations and audit trails, and inaccurate accounting entries. These issues have varying degrees of complexity and the solutions often take time.
- 4.3 They include but have not been limited to:
- the review of Collection Fund Accounting for 2021/22 and the tidying up of historical debtor and creditor balances,
 - correction of capital accounting entries in Agresso as part of the exercise to align the Fixed asset register and the General Ledger as well properly account for transactions on the GL;
 - ensure correct treatment and accounting for capital loans to subsidiaries;
 - reconciliation of earmarked reserves to identify and correct missing MIRS entries;
 - investigation of long standing balances within the suspense, debtor and creditors accounts
 - Investigation of long standing balances within the cash and suspense accounts. Outstanding DSG accounts-delays due to resourcing challenges.

The problems we have encountered have meant that the opening and closing balances between years have not reconciled, and this is particularly important when ascertaining the value of assets and liabilities which will have an impact on useable reserves, with the risk that assumed reserves as at the 1st April 2024 being overstated and the Council's financial position being more parlous than assumed when the Council agreed its budget. (A particular issue has arisen as we tried to reconcile historic collection fund account records.) The identification of incorrect NNDR3 reports dating back to 2018/19 has meant that the collection fund adjustment account entries have been incorrect with potential implications for the council's usable reserves if not corrected. The council's consultant is working with LG Futures to re-submit the 2018/19 NNDR3 report (in line with balances signed off in the 2018/19 audit). This will impact the opening position for 2019/20 onwards, including 2021/22.

- 4.4 As a consequence of the above our timetable now needs to be amended, in order that we are in a position for S151 Officer to have some assurance that, based on the information available, the published accounts represent a "true and fair" view of the Council's financial position as at the 31st March 2022. To do that does still require some forensic discovery work and this is made all the more challenging in an authority which has limited corporate knowledge for the period due to the high levels of staff turnover. It should be noted this was a period when members received little or no performance reports nor was there a dedicated outturn report presented to Cabinet.
- 4.5 The outcome of the initial balance sheet review work, undertaken in parallel with the accounts production, was reported to this Committee in July. The detailed review has helped identify and narrow down areas of risk in the balance sheet, and the outcomes are reflected in current drafts for the appropriate years. But it also identified two key areas where further work was required – The Collection Fund and Dedicated Schools Grant. As reported above, the issues relating to the Collection Account are long-standing, profound and complex, exacerbated by key parts of the function previously being outsourced. Key issues relating to the DSG relate to lack of proper separation of accounting records. On the collection fund issues dating back to 2015/16 were found in the 2018/19 audit and required work following the 2018/19 audit was not completed at the time. This has now been identified and requires reviewing all subsequent collection fund work on business rates. A lack of historic record keeping continues to hamper

efforts to produce materially accurate accounts with current staff struggling to trace errors and make corrections to flawed work.

- 4.6 In summary, the legacy of inadequate record keeping, audit trails and lack of progress in historic accounts preparation has been far more profound than assumed at the start of this process and compounded by the need to completely deconstruct and reconstruct historic accounts in key areas such as the Collection Fund.
- 4.7 The 2021/22 position will clearly have implications for the finalisation of the 2022/23 and 2023/24. Some work has commenced on 2022/23 to review and make corrections to areas identified in 2021/22 as well as preparation of working papers where there are no significant issues. We are currently scheduling draft accounts to be ready by the end of October, with 2023/24 completed no later than December. Reports on the 2021/22 and 2022/23 accounts are expected to be taken to the meeting of the Audit and Corporate Governance committee on the 31st October. This is now a critical path timeline. We need to be in a position to facilitate Grant Thornton undertaking a full audit of the 2023/24 accounts. Whilst significant elements of the audit will be conducted prior to actual publication, and we will be working closely with them to ensure all pre-publication evidential support is provided, they will still need sufficient time to conduct post publication assurance.
- 4.8 It should be noted that the 2021/22 and 2022/23 accounts will, in all likelihood, also receive a disclaimed audit opinion.
- 4.9 Appendix 1 to this report provides an updated timetable for completion.

5.1 **Financial implications**

- 5.1.2 Delivery of the detailed programme of works has required the setting up of a dedicated finance project team, made up primarily of officers, for which some limited back-filling is required, with limited external support where specific technical skills are required. The costs are not fully reflected in the 2024/25 budget as approved by Full Council on the 7th March 2024, and a detailed resource plan is being amended to reflect the additional one-off recovery costs, to be funded from the Budget Smoothing Reserve. There have also been and will continue to be additional opportunity costs as preparing the Statements of Accounts, and investigating the evidence base underlying accounting entries requires specific tasks to be undertaken by nominated officers across the Council.
- 5.1.3 Estimated costs of external audit fees for the years 2019/20 to 2022/23 are factored into the 2024/25 budget.

6.1 **Legal implications**

- 6.1.2 The Accounts and Audit Regulations 2015 set out the requirements for Category 1 authorities. In summary these require a statement of accounts to be prepared in accordance with the Regulations and proper practices in relation to accounts. These are set to be amended by the Accounts and Audit (Amendment) Regulations 2024, coming into force on 30th September 2024. The statement must include such of the following as are relevant:

(a) housing revenue account (relevant to this Council)

(b) collection fund (relevant to this Council)

(c) firefighters' pension fund (not relevant to this Council)

(d) any other statements relating to each and every other fund in relation to which the authority is required by any statutory provision to keep a separate account.

6.1.3 The statements must include a note setting out matters in relation to employee remuneration and a statement in relation to the Dedicated Schools Grant. As the Council maintains a housing revenue account (HRA) the statement must refer to the reserve for major repairs.

6.1.4 The Council must prepare a narrative statement for each financial year, including comment on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

6.1.5 Sets of accounts up to and including 2022/23 must be completed by 13th December 2024, with the deadlines dates for later years shown in the table below:

Financial year	Final date
2023/24	28 th February 2025
2024/25	27 th February 2026
2025/26	31 st January 2027
2026/27	30 th November 2027
2027/28	30 th November 2028

6.1.6 The Council's chief finance officer (s.151 officer) must sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

(i) the financial position of the Council at the end of the financial year to which it relates; and

6.1.7 In addition to the capacity requirements to close off multiple years of accounts, it should be recognised that the officers undertaking this work, including the new s.151 officer, were not employed during the relevant period. This, together with issues in relation to historic record keeping, makes preparing the accounts challenging, however experienced officers have been brought in to focus on this work and Ernst Young has been commissioned to support with a balance sheet review. In addition, officers have worked closely with the DLUHC Finance Commissioner, who has supported the process.

6.2 *Risk management implications*

6.2.1 Compliance with the requirement to prepare, publicise and audit four years accounts within a limited period is fraught with risks and will require the appropriate level of both technical and programme management skills to manage. Failure to achieve the deadlines for completion of audited 2019/20 to 2022/23 accounts by the 13th December, and subsequent 2023/24 accounts by February 2025 risk a failure to comply the assumed statutory deadline and could result in penalties or additional interventions.

6.3 *Environmental implications*

6.3.1 There are no specific environmental implications of the recommendations.

6.4 *Equality implications*

6.4.1 There are no specific equalities and inclusion implications of the recommendations.

6.5 *Procurement implications*

6.5.1 There are no specific procurement implications arising from the recommendations, however the external support required for completion of the backlog accounts and ongoing balance sheet review processes have been and are being commissioned in accordance with both the Public Contracts Regulations and the Council's procurement rules.

6.6 *Workforce implications*

6.6.1 What is progressing and planned to do represents a very intensive programme of works, both to achieve the December requirements and the now earlier deadline of February 2025 deadline for completion of audited 2023/24 accounts, significantly earlier than the previous May 2025 deadline. The backlog audit work programme must be undertaken in conjunction with the normal business activities of the Council. A dedicated project team within Finance and Commercial Services has been set up which requires limited temporary backfilling and utilisation of external partners and additional interim support, but has also required support from other key areas across the Council with a risk of additional pressures. Where any additional external resources are engaged it is vital that the appropriate level of internal capacity building is included within the contractual arrangement. From a duty of care perspective, it is essential that adequate resources are identified to fulfil essential requirements.

7. Background Papers

None

Appendix 1 – Latest timetable for statement of accounts preparation (updated)

Item	Working Days	Start Date	End Date	August	September	October	November	December	January	February	March
19/20 - Notice of inspection	1	08/05/2024	08/05/2024								
19/20 - Inspection Period	30	09/05/2024	20/06/2024								
19/20 - Audit period - GT dependent**	101	09/05/2024	30/09/2024								
20/21 - Notice of inspection	1	25/06/2024	25/06/2024								
20/21 - Inspection Period	30	26/06/2024	06/08/2024								
20/21 - Audit period - GT dependent**	68	26/06/2024	30/09/2024								
21/22 - Commissioner review & update	7	30/09/2024	08/10/2024								
21/22 - Notice of inspection	1	08/10/2024	08/10/2024								
21/22 - Inspection Period	30	09/10/2024	19/11/2024								
21/22 - Audit period - GT dependent**	48	09/10/2024	13/12/2024								
21/22 - Update at Audit Committee meeting	1	31/10/2024	31/10/2024								
22/23 - Commissioner review & update	7	22/10/2024	30/10/2024								
22/23 - Notice of inspection	1	30/10/2024	30/10/2024								
22/23 - Inspection Period	30	31/10/2024	11/12/2024								
22/23 - Audit period - GT dependent**	32	31/10/2024	13/12/2024								
22/23 - Update at Audit Committee meeting	1	31/10/2024	31/10/2024								
23/24 - Commissioner review & update	8	18/12/2024	31/12/2024								
23/24 - Notice of inspection	1	02/01/2025	02/01/2025								
23/24 - Inspection Period	30	02/01/2025	12/02/2025								
23/24 - Audit period - GT dependent**	42	02/01/2025	28/02/2025								

- Green represents the planned activities by Slough Borough Council
- Purple represents audit windows for Grant Thornton to review SBC accounts
- Grey represents bank holidays
- Red lines represent the audit backstop dates of 13 December 2024 (2022/23 and before), and 28 February 2025 (2023/24)