

## AUDIT COMMITTEE – 26 SEPTEMBER 2024

### PART I – DELEGATED

#### Statement of Accounts Update (DoF)

#### 1 Summary

- 1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23 and 2023/24 including an update on the expected backstop arrangements.

#### 2 Detail

#### 2.1 External Audit of the Statement of Accounts 2020/21, 2021/22 and 2022/23

- 2.1.1 Previous updates to this Committee have set out the previous government's proposal to introduce backstop dates to address the audit backlog across English Councils and it was noted that the timing of the general election had resulted in this not being taken forward in the originally anticipated timeframe. On 30 July, the newly appointed Minister of State for Local Government and English Devolution wrote to councils setting out the intention to lay secondary legislation to implement the backstop proposals.

- 2.1.2 The backstop for all accounts up to and including 2022/23 is proposed to be 17 December 2024 with a further five backstop dates as follows:

- 2023/24: 28 February 2025
- 2024/25: 27 February 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

- 2.1.3 Although the backstop is subject to parliamentary approval, EY have written to councils setting out the arrangements for meeting the backstop date of 17 December for all accounts up to and including 2022/23. Officers are in the process of providing the information requested.

- 2.1.4 As previously reported, the backstop arrangements will result in the external audit opinion on the accounts for 2020/21, 2021/22 and 2022/23 being disclaimed.

- 2.1.5 The accounts for 2020/21, 2021/22 and 2022/23 will be authorised for reissue in October and a new period of public inspection will be undertaken. This is to ensure that all audit adjustments from 2019/20 are reflected in the accounts on which the audit opinion is given.

## **2.2 External Audit of the Statement of Accounts 2023/24**

- 2.2.1 The 2023/24 statement of accounts will be reissued, alongside the 2021/22 and 2022/23, statements at the end of September. This will incorporate final amendments to opening balances from prior years, the final valuation received from the pension fund actuary in relation to the Council's pension asset and liability, and the valuations for the Council's fixed assets which were not available when the original draft was published at the end of May. The external audit will take place during October and November.
- 2.2.2 As previously discussed at Committee, the audit opinion is likely to be disclaimed for 2023/24 as a result of the disclaimed opening balances. An element of qualification is likely to run through the accounts for at least a further year (impacting the 2024/25) as assurance is rebuilt. Officers will continue to work with Azets to limit the impact as far as possible. However, our ability to influence this will be limited by guidance issued by the National Audit Office (NAO), Financial Reporting Council (FRC) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2.3 Depending on the progress of the 2023/24 audit, it may be necessary to arrange an additional meeting of the Audit Committee in February to receive the report of the external auditors and approve the statement of accounts.

## **2.3 Arrangements for future years**

- 2.3.1 The letter from the Minister of State for Local Government and English Devolution also set out the new government's proposal that, subject to parliamentary approval, the deadline for the production of draft accounts should be extended from 31 May to 30 June for the financial years 2024/25 to 2027/28. The objective is to give those preparing accounts more time to ensure they are high-quality. This change is welcomed and reflects feedback provided by Officers to the consultation on the backstop arrangements.
- 2.3.2 The letter also notes that the action to address the backlog will not provide a long-term solution to the 'wider, broken audit system,' and indicates that the government plans to move forward with 'significant reform' of the audit system.

## **2.4 Audit Fee Consultation 2024/25**

- 2.4.1 The Council has opted in to the national scheme for external auditor appointments. The external audit fee is set annually by the Public Sector Auditor Appointments Limited (PSAA) in the organisation's capacity as an 'appointing person' under the provisions of the Local Audit and Accountability Act and the Local Audit (Appointing Person) Regulations 2015.
- 2.4.2 The consultation on the 2024/25 audit fee was launched on 12 September 2024 and is attached at Appendix 4. The proposed fee increase is 9.5% on the 2023/24 scale fee to cover the additional work required under revised standards and a contractual inflationary increase payable to firms for 2024/25. This follows substantial increases for 2023/24.

- 2.4.3 The PSAA have committed to write to all opted-in bodies during the consultation period to set out their expected scale fee. Once confirmed, the increase in fees will be incorporated into the budget for 2025/26 onwards through the budget setting process. There may be additional costs associated with the backstop arrangements. These will be subject to agreement through the fee variation process overseen by the PSAA.

### **3 Policy/Budget Reference and Implications**

- 3.1 The recommendations in this report are within the Council's agreed policy and budgets.

### **4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

- 4.1 None specific.

### **5 Recommendation**

#### **The Audit Committee is recommended to:**

- Note the update in relation to the 2020/21, 2021/22, 2022/23 and 2023/24 external audits.

Report prepared by: Hannah Doney, Head of Finance

#### **Data Quality**

Data sources: None used in the preparation of the report

#### **Background Papers**

Statement of Accounts report to Audit Committee March 2024

#### **APPENDICES / ATTACHMENTS**

Appendix 1 – Letter from Minister of State for Local Government and English Devolution to Councils – 30 July 2024

Appendix 2 – PSAA Consultation on Audit Fees for 2024/25