

## AUDIT COMMITTEE – 30 NOVEMBER 2023

### 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.

#### 2 Detail

##### 2.1 Statement of Accounts 2019/20

- 2.1.1 Officers are working with the External Auditors to finalise the audit as soon as possible. It is anticipated that this will be achieved by the end of November or shortly afterwards. An oral update will be provided at the meeting.

##### 2.2 Statement of Accounts 2020/21

- 2.2.1 Work on the 2020/21 audit has been delayed as prioritisation has been given to resolving the final queries arising from the 2019/20 audit. Focus will return to this audit in December. The Committee may be required to meet to receive the auditor's report and approve the audited accounts prior to the next scheduled meeting in March.

##### 2.3 External Audit of the Statement of Accounts 2021/22 and 2022/23

- 2.3.1 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. This takes the cumulative total for the backlog of outstanding audits to 914 across the sector with the majority of councils having outstanding audits for 2021/22 and 2022/23.

- 2.3.2 In a press release the chair of the PSAA, Steve Freer said,

*The scale of the backlog of local audit opinions is becoming more and more serious. It is now very clear that an extraordinary intervention of some sort is urgently required to put the system back on track. Hopefully, current work to develop a solution can be concluded quickly, enabling details of the planned solution to be announced and implemented as soon as possible.*

*An important strand of any solution must be to address the root causes of so many delayed opinions so that following its implementation the delivery of timely opinions is firmly and permanently re-established.'*

- 2.3.3 In July, the Minister for Local Government (Lee Rowley) wrote to Councils and audit firms setting out the options being explored to address the backlog. The letter is included at Appendix 1. This included setting a backstop date for the completion of outstanding audits and a mechanism for qualifications or disclaimers of opinions where these could not be met with implementation of these proposals by December 2023.

- 2.3.4 It is understood that a proposed solution will be consulted on during November. Without clarity on this solution, it is not possible to set out the approach to or timeline for the 2021/22 and 2022/23 audits. The solution may result in the audits not being completed if the backstop date is set at 31 March 2024.

## **2.4 Statement of Accounts and External Audit 2023/24**

- 2.4.1 Officers are in the process of on boarding the new auditors and walkthroughs have taken place during the end of October and beginning of November.
- 2.4.2 We have been able to facilitate this alongside the progress on the 2019/20 and 2020/21 audits as the majority of these early enquiries do not require input from the Officers directly involved in responding to current audit queries. Onboarding has included engagement with ICT, Internal Audit and the Monitoring Officer.
- 2.4.3 The draft audit plan for 2023/24 is elsewhere on the agenda. An interim audit covering transactions during the first ten months of the financial year will take place in February and March ahead of the main audit in the summer.

## **2.5 Audit Fees**

- 2.5.1 The [Redmond review](#) (Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting undertaken by Sir Tony Redmond and published in September 2020) highlighted the level of audit fees as one of the key barriers to resilience, quality, skills and training within the external audit sector and specifically recommended that 'the current fee structure for local audit to be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.'
- 2.5.2 Following the recent national procurement exercise, the PSAA have recently consulted on the scale fee for 2023/24 onwards. The full consultation is included at Appendix 2. The proposal sets out a 151% increase to the core scale fee plus adjustments for additional work undertaken as a result of changes to audit standards. This is likely to result in an increase of around £0.160m per year.
- 2.5.3 The final 2023/24 fee scale and the PSAA's consultation response will be published by Thursday 30 November 2023. The increase in scale fee will be built into the Council's Medium Term Financial Plan through the budget setting process. The increase in costs is recognised as a cost pressure by DLUCH however, at this stage no new burdens funding has been confirmed.

## **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 arising from this report.

**5 Recommendation**

**The Audit Committee is recommended to:**

- Note the progress and latest timetable for completion of the external audit of the statement of accounts for 2019/20 onwards.

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**Data Quality**

Data sources: None used in the preparation of the report

**Background Papers**

Statement of Accounts report to Audit Committee July 2023

**APPENDICES / ATTACHMENTS**

Appendix 1 Letter from Minister for Local Government to Councils and Audit firms

Appendix 2 PSAA Consultation on the 2023/24 audit fee scale