

Audit Committee – 24 November 2023

Title of paper:	Statement of Accounts Progress Update	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer Shabana Kausar, Director of Finance and Deputy S151 Officer	Wards affected: All
Report author(s) and contact details:	Glenn Hammons, Interim Finance Lead – Technical Finance	
Other colleagues who have provided input:	Malcolm McBean, Interim Closedown Accountant Richard Pearson, Senior Accountant Sam Hawrylak, Senior Accountant	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the current position with the Statement of Accounts for the years 2019/20 through to 2022/23	

1. Reasons for recommendations

- 1.1 As the Audit Committee is responsible for approving the audited accounts, this report looks to provide a formal update on the progress the Council is making with its statement of accounts relating to 2019/20 to 2022/23.

2. Background (including outcomes of consultation)

- 2.1 As previously reported, most recently to the September meeting of the Committee, the Council experienced delays with the audit of its 2019/20 accounts due to issues with property valuations for specialist assets and with subsidiary company figures required for group accounts. It currently has three sets of accounts that should have already been published with audit opinions. The Improvement and Assurance Board (IAB) has issued a directive that the outstanding issues with these accounts should be resolved by 30 September 2023.
- 2.2 The Council's 2018/19 Statement of Accounts were approved by the Audit Committee on 26 March 2021 for which Grant Thornton issued their audit opinion on the same day enabling the accounts to be formally published. These accounts were due to be published by 30 September 2019 but were delayed due to a conclusion being reached with regards to the value for money reported at the same meeting.
- 2.3 Grant Thornton originally commenced audit work on 2019/20's accounts in 2020 after work on the 2018/19 Statements concluded, but they decided to withdraw in early 2021 to allow the Council to amend the draft for a number of emerging issues including the need to obtain valuations for specialist assets and to finalise figures for a former subsidiary company which was in administration.

3. Accounts Progress

- 3.1 The Council have recruited additional temporary staffing resources to support the Technical Finance team with the production of accounts, with the additional team members joining through June 2023. At the end of September 2023, a number of the temporary staff supporting the production of accounts left the Council when their contracts expired. These staff have been replaced with new resources.
- 3.2 Revisions were made to the 2019/20 accounts to incorporate the revised valuation information for specialist assets, to amend group accounts, to adjust for issues with the Housing Revenue Account and to address other issues identified during the audit.
- 3.3 Appendix 1 provides a detail progress against each year whilst the table below provides a summary overview of both the expected position to end of November 2023 and current position as at the 8 November 2023 in resolving audit queries with regards to accounting years 2019/20 to 2022/23.

Table1: Expected Progress of Resolving Audit Queries to end of November 2023

Financial Year	Audit Queries	Progress as at 8 November 2023	Expected Progress to end of November 2023
2019/20	All requests received to early November have been responded to by the Council. Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time.	100%	100%
2020/21	Audit not yet commenced. Revised draft accounts in production. Expected to be completed by late November.	95%	100%
2021/22	Audit not yet commenced. Draft accounts for publication were expected to be ready by 30 September 2023 but are now anticipated to be ready in early January.	35%	50%
2022/23	Audit not yet commenced. Draft accounts are expected to be ready by mid-February 2024.	20%	25%

3.4 Additional Audit queries since submission of 2019/20 Draft Accounts on 5 July 2023

- 3.4.1 Due to NHS audit work and other commitments, Grant Thornton were unavailable to resource the Council's 2019/20 audit work until mid-August 2023. Upon their review of the updated 2019/20 draft accounts (which reflected resolution of all outstanding queries by the Council), new queries were raised.

- 3.4.2 As reported to the September Audit Committee the majority of these new queries required a response from the Council's external property valuers. The issues related to incorrect floor areas being used for some of the Council's specialist assets. The resolution required a prior period adjustment to the 2018/19 Property, Plant and Equipment (PPE) valuation figures and was agreed with Grant Thornton. Responses to all queries were provided to Grant Thornton in October and the required changes have been made to the 2019/20 draft accounts.
- 3.4.3 In late September Grant Thornton also requested further information about the internal controls assessment undertaken by EY. The output of the EY work recommended a number of improvements to the control environment. These were reported to Audit Committee in June 2023. Due to commercial confidentiality reasons Grant Thornton are unable to fully use the output of the EY work to make their own assessment of the Council's control environment which is required to inform their audit opinion. As such, Grant Thornton are to test a sample of 18 transactions across 3 financial years (2019/20, 2020/21 and 2021/22). The Council provided this information to Grant Thornton in two tranches in mid/late October.
- 3.4.4 The Council has responded to all queries from Grant Thornton on the 2019/20 draft accounts and provided a further draft Statement of Accounts 2019/20 on 8 November reflecting all known agreed changes, since the last draft provided on 5 July 2023. However, these still need to be considered by Grant Thornton's internal review and assurance processes before an audit opinion can be provided. There is a risk further queries maybe raised during the review and assurance process.

3.5 Additional Audit Queries Impact on Timetable

- 3.5.1 As reported to Audit Committee in September the volume of additional queries, clarification questions and the resulting changes to the 2019/20 draft accounts have been greater than anticipated. This has compromised the team's ability and impacted delivery of activities against the original timetable which was aiming to receive an audit opinion on the draft Statement of Accounts for 2019/20 and produce a draft Statement of Accounts for 2020/21 by 30 September 2023.
- 3.5.2 It is currently anticipated the revised date for these actions will be 30 November 2023. However, these are dependent upon no additional queries being raised by Grant Thornton during their internal review and assurance process, and Grant Thornton being in a position to bring their Audit Findings Report to Audit Committee.
- 3.5.3 The volume of additional audit queries and resulting changes has also had a direct impact on the progress of producing draft Statement of Accounts for 2021/22 and 2022/23. This is due to the team prioritising resolving the queries in relation to 2019/20 and working through the impact through the opening and closing balances on futures years Accounts. The team have been making progress on the 2021/22 and 2022/23 Accounts focussing their time ensuring the opening/closing balances are correctly transferred between 2020/21 and 2021/22 when the new financial system was implemented and cleansing the data to ensure transactions, such as recharges, are correctly recorded.

3.6 Public Inspection Requirements

3.6.1 Periods of public inspection are a legal requirement. The accounting records have to be open to members of the public for a period of 30 working days under the Accounts and Audit Regulations. This period will still need to be observed for all outstanding years except for 2019/20 which was open from 1 September 2020 to 12 October 2020 inclusive.

3.7 Addressing the Local Government Audit Backlog

3.7.1 As the Committee will be aware following briefings at previous Audit Committee's in July 2023 the Government published a cross-system statement on proposals to clear the backlog and embed timely audits. Engagement is currently taking place with all parties across the local audit system to finalise proposals with a view to implementing changes to the relevant codes and standards by the end of December 2023.

3.7.2 The key elements of the proposals to resolve the audit backlog are:

- A series of statutory deadlines for councils and auditors to clear the backlog of delayed audits from 2015/16 to present.
- Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk.
- Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over.
- Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.
- It is recognised these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies.
- Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion.

3.7.3 The statement also sets out the need for longer term change to address the underlying issues which may have driven the delays.

3.7.4 The cross-system statement is set out in Appendix 2.

3.7.5 The implications for the Council's outstanding accounts will need to be considered against the final proposals and the statutory deadlines when they are set. Further updates will be provided to Audit Committee at future meetings.

3.7.6 The Council will continue to prepare draft accounts for all years which are outstanding.

3.8 Risk Assessment

- 3.8.1 The Finance team have worked diligently to meet the direction from the IAB to resolve all known issues for 2019/20, 2020/21 and 2021/22 accounts by 30 September 2023. Following the additional queries received from Grant Thornton in August and September, the finance team were not able to produce draft accounts for these years by end of September 2023, therefore not meeting the direction completely. The non-delivery of the direction is not due to the finance team not being able to resolve audit queries but due to the fact that new queries are emerging as Grant Thornton review the revised set of 2019/20 accounts and responses to their earlier queries.
- 3.8.2 As set out above good progress towards meeting the objective has been made with ledgers for 2019/20 and 2020/21. The draft accounts document for 2019/20 was delivered to Grant Thornton in July and a further version including agreed changes relating to the prior period adjustment was provided on 8 November. The update to the draft accounts document for 2020/21 is approaching completion.
- 3.8.3 Work is well underway to resolve issues in the 2021/22 general ledger (with significant data cleansing having been undertaken), process final journal entries and produce draft accounts document which may not be in a format ready for publication until early January 2024.
- 3.8.4 The achievement of these timelines is heavily dependent upon number of factors, including the:
- Volume of further queries from Grant Thornton in relation to the 2019/20 draft accounts,
 - Timing and delivery of the external audit for 2020/21 and subsequent years accounts,
 - Proposed timing of backstop dates at a national level to address the backlog in local government audit as outlined in paragraph 3.7.

4. Finance colleague comments (including implications and value for money/VAT)

- 4.1 The scale fees paid to the External Auditor are set by Public Sector Audit Appointments and are as follows:

	£
2019-20	132,531
2020-21	132,531
2021-22	141,531
2022-23	141,531

- 4.2 In addition, Grant Thornton indicated in their Audit Plan for 2019-20 brought before the Audit Committee at their meeting on 28 February 2020 that there would be additional fees of £27,350 to be paid. Recent discussions between the Council, Public Sector Audit Appointments and Grant Thornton have resulted in the additional fees being increased to £92,350 to reflect the issues encountered through the audit.

5. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

- 5.1 None.

6. Published documents referred to in this report

6.1 None.

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Accounts Progress as at 8 November 2023

Year	Accounts Publication		Ledger	As Previously Reported in September 2023		Actual position as at 8 November 2023	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2019/20	30 November 2020	Draft published 28 August 2020 <i>Public inspection completed</i>	All required entries input by 30 September 2023.	<p>Audit Queries Status: All requests received to end of April were all responded by the Council and updated accounts submitted on 5 July 2023.</p> <p>The Council is actively responding to new requests received in August which require input from the external valuations' specialist.</p>	99%	<p>Audit Queries Status: All requests received to early November were all responded by the Council and updated accounts submitted on 8 November 2023.</p> <p>Since September the Council has responded to queries on specialist assets, which required input from the external valuations' specialist, and in relation to the EY work on internal controls.</p>	100%
			<p>Accounts Progress: Further changes are now being made because of a second Prior Period Adjustment being required by Grant Thornton for PPE.</p>	<p>Accounts Progress: All changes have been made to the Accounts, including prior year changes affecting 2019/20 identified by NCC during quality review work in preparation of future years Accounts.</p>			
			<p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 5 July 2023 incorporating all identified changes at that time.</p> <p>An updated set of statement of accounts required to be completed following resolution of new Audit queries received in August 2023.</p>	<p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time.</p>			

¹ per Accounts & Audit Regulations

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Year	Accounts Publication		Ledger	As Previously Reported in September 2023		Actual position as at 8 November 2023	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2020/21	30 November 2021	Unsigned draft published 30 July 2021 <i>Public inspection not yet opened</i>	All ledger entries were completed by end September 2023.	Audit Queries Status: Audit not yet commenced. Accounts Progress: Revised draft accounts in production. Was expected to be completed by mid-August 2023, but now expected to be completed by early/mid-September 2023. Draft Accounts Submission: Expected to be produced by mid/late September 2023	85%	Audit Queries Status: Audit not yet commenced. Accounts Progress: Revised draft accounts in production. Expected to be completed by late November 2023 due to new audit queries received in August and October 2023 in relation to 2019/20. Draft Accounts Submission: Expected to be produced by late November 2023	95%
2021/22	30 September 2022	No draft yet produced <i>(was due 30 July 2022)</i>	Initial close of ledger complete. Data cleansing work undertaken. Some accounting entries included. Fixed Asset and funding entries not yet input due to additional audit queries resulting in further work required on 2019/20.	Audit Queries Status: Audit not yet commenced Accounts Progress: Draft accounts for publication were expected to be ready by 30 September 2023 but are now anticipated to be ready in early October 2023 due to new audit queries received in August 2023 in relation to 2019/20. Draft Accounts Submission: Expected to be produced by early/mid October 2023.	25%	Audit Queries Status: Audit not yet commenced. Accounts Progress: Draft accounts for publication are now anticipated to be ready in early January 2024 due to new audit queries received in August and October 2023 in relation to 2019/20. Draft Accounts Submission: Expected to be produced by early January 2024.	35%

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Year	Accounts Publication		Ledger	As Previously Reported in September 2023		Actual position as at 8 November 2023	
	Original Audited Accounts publication date ¹	Current position		Progress Status production of draft accounts	Progress (%)	Progress Status production of draft accounts	Progress (%)
2022/23	30 September 2023	No draft yet produced <i>(was due 30 May 2023)</i>	Initial close of ledger complete, accounting entries to be processed in Winter 2023/24	Audit Queries Status: Audit not yet commenced Accounts Progress: Draft accounts are expected to be ready by mid-December 2023 Draft Accounts Submission: Draft accounts are expected to be ready by mid-December 2023.	0%	Audit Queries Status: Audit not yet commenced. Accounts Progress: Draft accounts are expected to be ready by mid-February 2024. Draft Accounts Submission: Draft accounts are expected to be ready by mid-February 2024.	20%