

## Audit Committee – 23 February 2024

<b>Title of paper:</b>	Statement of Accounts Progress Update	
<b>Director(s)/ Corporate Director(s):</b>	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer  Shabana Kausar, Director of Finance and Deputy S151 Officer	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Glenn Hammons, Interim Finance Lead – Technical Finance	
<b>Other colleagues who have provided input:</b>	David Bennett, Interim Closedown Lead Richard Pearson, Senior Accountant Sam Hawrylak, Senior Accountant	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	To note the current position with the Statement of Accounts for the years 2019/20 through to 2023/24	

### 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 2023/24.

### 2. Background (including outcomes of consultation)

- 2.1 As previously reported, most recently to the September and November meetings 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 four 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 February 2024 and current position as at the 2 February 2024 in resolving audit queries with regards to accounting years 2019/20 to 2022/23.

**Table1: Expected Progress of Resolving Audit Queries to end of February 2024**

Financial Year	Audit Queries	Progress as at 2 February 2024	Expected Progress to end of February 2024
2019/20	All requests received 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.  Grant Thornton are progressing the Accounts through their Quality Assurance processes.	100%	100%
2020/21	Audit not yet commenced.  Revised draft accounts were completed in December 2023.	100%	100%
2021/22	Audit not yet commenced.  Draft accounts are expected to be ready for publication by mid-March 2024.	80%	90%
2022/23	Audit not yet commenced.  Draft accounts are expected to be ready for publication by end May 2024.	50%	60%

- 3.4 It should be noted there is the risk that if there are any further changes required to the draft 2019/20 Accounts they are also likely to require changes to subsequent years draft Accounts. These changes will take time to process through the statements.

3.5 The Council is preparing a plan for publishing the draft Accounts for all outstanding years. This includes reporting to Audit Committee and public inspection. The finalisation of this plan is dependant upon the conclusion of the 2019/20 audit process and the national proposals to address the local government audit backlog (as set out in Paragraph 3.9).

### **3.6 Progress of 2019/20 Draft Accounts since submission to Grant Thornton on 8 November 2023**

3.6.1 As reported to the Audit Committee in November 2023 the Council 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.

3.6.2 The draft Accounts 2019/20 continue to be considered by Grant Thornton's internal review and assurance processes before an audit opinion can be provided. The Council has met with Grant Thornton on a weekly basis and has responded promptly to all clarification questions raised during their review and assurance work. There have been no further requested changes to the draft Accounts submitted on 8 November 2023. It should be noted there continues to be a risk of further queries being raised during the review and assurance process which may result in further changes to the draft Accounts.

### **3.7 Additional Audit Queries Impact on Timetable**

3.7.1 As reported to Audit Committee in November 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.

3.7.2 As reported in the Table 1 above the Council has prepared draft Accounts for 2019/20 and 2020/21. However, as set out in paragraph 3.4.2 the 2019/20 audit by Grant Thornton is still on-going. The revised date for these actions being completed will be dependant upon there being 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.

3.7.3 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.

### **3.8 Public Inspection Requirements**

3.8.1 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.

3.8.2 Once the audit of the 2019/20 Draft Accounts has been finalised the Council is planning to make subsequent draft accounts available for public inspection. Ahead of public inspection commencing the draft accounts would be reported to Audit Committee.

### 3.9 Addressing the Local Government Audit Backlog

3.9.1 As the Committee will be aware following briefings at previous Audit Committee's in July 2023 and the Draft Accounts Update report in November 2023 the Government published a cross-system statement on proposals to clear the backlog and embed timely audits.

3.9.2 Engagement has taken place with all parties across the local audit system. The initial timetable set out in July 2023 was to finalise proposals with a view to implementing changes to the relevant codes and standards by the end of December 2023.

3.9.3 The latest position is that on the 8 February 2024 a cross system Joint Statement was published on proposals to clear the backlog and embed timely audit. The proposals were accompanied by two consultations (DLUHC and National Audit Office) and the expectation of a consultation from CIPFA on technical to the Accounting Code to support the implementation of the proposals. A full copy of the Joint Statement included at Appendix 2.

#### Summary of Proposals

3.9.4 The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

3.9.5 The key points arising from the Phase 1: Reset proposals and the potential considerations for the Council are set out in the table below:

Phase 1: Reset Proposals Key Points	Potential Considerations for NCC
<ul style="list-style-type: none"> <li>• Backstop date for publishing all outstanding Accounts upto and including 2022/23 is 30 September 2024.</li> <li>• Local auditors required to issue an opinion based on work already undertaken.</li> <li>• Opinion can be either unmodified, modified (qualified or adverse) or disclaimed.</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of 2019/20 audit is the key to progressing outstanding years Accounts.</li> <li>• Timeline. Prior to an audit opinion being issued for outstanding Accounts they will need to be certified by the Section 151 Officer, approved by Audit Committee and be subject to public inspection.</li> <li>• Working with Grant Thornton. A joint approach will be required.</li> </ul>

<ul style="list-style-type: none"> <li>• Single commentary on Value for Money (VFM) arrangements covering all outstanding periods up to 2022/23.</li> <li>• Government will publish a list of local bodies and their auditors which do not meet the backstop date.</li> </ul>	<ul style="list-style-type: none"> <li>• Assessing fees. How much will NCC be required to pay for external audit work undertaken between 2019/20 and 2022/23?</li> <li>• Reputational impact of audit opinions.</li> </ul>
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3.9.6 The primary issue for the Council to meet the proposed backstop date of 30 September 2024 will be a timely conclusion to the 2019/20 audit and an opinion from Grant Thornton being provided. Once this has been achieved it will enable the 2020/21, 2021/22 and 2022/23 draft accounts to be prepared with confidence that there will be no further changes to incorporate arising from the 2019/20 audit.

3.9.7 Based on the proposals, which may be subject to change, following an audit opinion being issued for 2019/20 the Council will need to undertake the following for each outstanding financial years accounts; complete work to produce the financial statements, make the accounts available for 30 days of public inspection and have the accounts approved by the Audit Committee. Once all of these actions have been achieved the Council will submit its Accounts for an opinion to be provided by Grant Thornton. As set out above subject to a timely conclusion to the 2019/20 audit and a continued joint working approach with Grant Thornton the Council is confident in meeting the proposed backstop date.

3.9.8 The key points arising from the Phase 2: Recovery proposals and the potential considerations for the Council are set out in the table below:

<b>Phase 2: Recovery Proposals Key Points</b>	<b>Potential Considerations for NCC</b>
<ul style="list-style-type: none"> <li>• Accounts audit additional backstop dates: <ul style="list-style-type: none"> <li>○ 2023/24: 31 May 2025</li> <li>○ 2024/25: 31 March 2026</li> <li>○ 2025/26: 31 January 2027</li> <li>○ 2026/27: 30 November 2027</li> <li>○ 2027/28: 30 November 2028</li> </ul> </li> <li>• VFM arrangements to be reported by 30 November each year, commencing 2023/24.</li> <li>• CIPFA to consult on temporary changes to the Code to reduce burdens on accounts preparers and support auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• Timeline for preparing 2023/24 Accounts as NCC will also be clearing the backlog of Accounts ahead of the 30/9/24 backstop date.</li> <li>• Timing of the audit work and volume of audit queries given historic accounting issues.</li> <li>• Working with Grant Thornton. A joint approach will be required.</li> <li>• Reputational impact of audit opinion and findings.</li> </ul>

3.9.9 At the current point in time there are no specific proposals in relation to Phase 3: Reform.

3.9.10 There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts.
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

3.9.11 The Council will consider the proposals and, if required, respond accordingly through the relevant consultation route.

### **3.10 Preparation for Closedown and Draft Accounts 2023/24**

3.10.1 Preparations for the closure of the Accounts for 2023/24 are well underway with a view to achieving publication by the statutory dates, i.e., 31 May 2024 for draft accounts publication and 30 September 2024 for audited accounts to be published.

3.10.2 A closure timetable and guidance notes for staff to follow has been prepared for 2023/24. The Council is in the process of communicating these to the organisation and training key staff in the process of these being delivered.

3.10.3 Members of the Council's Technical Finance Team have been meeting on a weekly basis with Grant Thornton with regards to resolving the outstanding financial years accounts and preparing for the 2023/24 accounts.

### **3.11 Risk Assessment**

3.11.1 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 be 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.

3.11.2 As set out above good progress towards meeting the objective has been made since November 2023. The draft accounts document for 2019/20 was delivered to Grant Thornton on 8 November and the update to the draft accounts document for 2020/21 has been completed.

3.11.3 Work has progressed significantly 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.

3.11.4 The achievement of these timelines is heavily dependent upon number of factors, including the:

- Volume of further queries and an audit opinion 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,
- Confirmation of the timing of proposed backstop dates at a national level to address the backlog in local government audit as outlined in paragraph 3.9.
- Staffing capacity and skills. The Council has skilled permanent and temporary staff preparing the outstanding accounts. These are staff with highly specialised skill sets and there is a shortage of these skill sets in the market. If any of these staff were to leave or be unavailable it would impact on the Council's ability to achieve the timelines.

#### **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:

	<b>£</b>
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.

4.3 As part of the proposals to address the local audit delays the Public Sector Audit Appointments (PSAA) are to consider the approach for financial years when a full audit has not been undertaken. Further update will be reported to Audit Committee once further details has been published.

#### **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 2 February 2024**

Year	Accounts Publication		Ledger	As Previously Reported in November 2023		Actual position as at 2 February 2024	
	Original Audited Accounts publication date <sup>1</sup>	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 in September/October 2020</i>	All required entries input by 30 September 2023.	<p><b>Audit Queries Status:</b> 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><b>Audit Queries Status:</b> All requests received have been responded to by the Council.</p> <p>Updated draft accounts submitted to Grant Thornton on 8 November 2023.</p> <p>Grant Thornton continue to progress through their internal quality assurance and review processes.</p>	100%
			<p><b>Accounts Progress:</b> 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><b>Accounts Progress:</b> All changes have been made to the Draft Accounts, including prior year changes affecting 2019/20.</p>			
			<p><b>Draft Accounts Submission:</b> Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time.</p>	<p><b>Draft Accounts Submission:</b> Revised draft accounts submitted to Grant Thornton on 8 November 2023.</p>			

<sup>1</sup> per Accounts & Audit Regulations



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

Year	Accounts Publication		Ledger	As Previously Reported in November 2023		Actual position as at 2 February 2024	
	Original Audited Accounts publication date <sup>1</sup>	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.	<b>Audit Queries Status:</b> Audit not yet commenced.	95%	<b>Audit Queries Status:</b> Audit not yet commenced.	100%
				<b>Accounts Progress:</b> 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.		<b>Accounts Progress:</b> Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts.	
				<b>Draft Accounts Submission:</b> Expected to be produced by late November 2023		<b>Draft Accounts Submission:</b> Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit.	
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. Majority of accounting entries included. Particular focus has been to ensure the opening/closing balances are correctly transferred between 2020/21 and 2021/22 when the new financial system was implemented	<b>Audit Queries Status:</b> Audit not yet commenced	35%	<b>Audit Queries Status:</b> Audit not yet commenced.	90%
				<b>Accounts Progress:</b> 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.		<b>Accounts Progress:</b> Draft accounts for publication are now anticipated to be ready by mid March.	
				<b>Draft Accounts Submission:</b> Expected to be produced by early January 2024.		<b>Draft Accounts Submission:</b> Expected to be produced by mid March 2024.	

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

Year	Accounts Publication		Ledger	As Previously Reported in November 2023		Actual position as at 2 February 2024	
	Original Audited Accounts publication date <sup>1</sup>	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, Majority of accounting entries completed. A small number of Fixed Asset related entries to be processed	<b>Audit Queries Status:</b> Audit not yet commenced  <b>Accounts Progress:</b> Draft accounts are expected to be ready by mid-February 2024.  <b>Draft Accounts Submission:</b> Draft accounts are expected to be ready by mid-February 2024.	20%	<b>Audit Queries Status:</b> Audit not yet commenced.  <b>Accounts Progress:</b> Draft accounts are expected to be ready by end May 2024.  <b>Draft Accounts Submission:</b> Draft accounts are expected to be ready by end May 2024.	60%