

## Audit Committee – 26 July 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	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Brief Summary</b> 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. The key areas covered in the report are: <ul style="list-style-type: none"> <li>• Progress update on the outstanding accounts and expected timeline for completion</li> <li>• An update on the risks including the latest position on the national response to the local government audit delays and its impact on the Council.</li> </ul>		
<b>Recommendation(s):</b>		
<b>1</b>	To take assurance the current position with the Statement of Accounts for the years 2019/20 through to 2023/24.	
<b>2</b>	To note the impact on the Council in meeting the proposed national backstop date due to external audit opinion for the draft 2019/20 Statement of Accounts scheduled to be presented to Audit Committee in September 2024.	
<b>3</b>	To take assurance from the indicative timeline and associated risks for publishing the Statement of Accounts for financial years 2019/20, 2020/21 and 2021/22 to meet the proposed national backstop dates as set out in Section 3.6	
<b>4</b>	To note that, from the revised indicative timeline and associated risks draft Statement of Accounts for the financial year 2022/23, will not meet the proposed national backstop date as set out in Section 3.6 and a revised timeline has been identified.	
<b>5</b>	To take assurance from the progress, indicative timeline and associated risks for publishing the Statement of Accounts for financial year 2023/24 as set out in Section 3.7	
<b>6</b>	To note that the draft Statement of Accounts for 2020/21, 2021/22 and 2022/23 will be published by officers for public consultation following consultation with the Chair.	

### 1 Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

#### Financial Reporting

- (a) review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council

- (b) consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts
- (c) approve the Council’s Statement of Accounts and associated governance and accounting policy documents.

1.2 As the Audit Committee is responsible for reviewing and 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

2.1 As previously reported to the Committee the Council has 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. These are 2019/20, 2020/21, 2021/22 and 2022/23. In addition, the Council is working on the production of the 2023/24 draft accounts.

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.

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. As set out below these issues have been responded to by the Council, and the audit is continuing.

## 3. Accounts Progress

3.1 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. The updated draft accounts for 2019/20 were provided to Grant Thornton in November 2023. Table 1 below provides a summary of the latest position with regards to the outstanding draft accounts. Appendix 1 provides a detailed progress position for each year.

**Table1: Expected Progress of Producing Outstanding Accounts to end of June 2024**

Financial Year	Producing Outstanding Accounts	Progress as at 5 July 2024	Expected Progress to end of July 2024
2019/20	<p>All requests received have been responded to by the Council.</p> <p>Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time.</p> <p>Grant Thornton are progressing the Accounts through their Quality Assurance processes.</p>	100%	100%
2020/21	Audit not yet commenced.	100%	100%

Financial Year	Producing Outstanding Accounts	Progress as at 5 July 2024	Expected Progress to end of July 2024
	Revised draft accounts were completed in December 2023.		
2021/22	Audit not yet commenced.  Draft accounts were completed in May 2024.	100%	100%
2022/23	Audit not yet commenced.  Draft accounts are expected to be ready for publication by early August 2024.	85%	95%

3.2 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.

3.3 The Council has prepared 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 3.6).

#### 3.4 Public Inspection Requirements

3.4.1 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 to 12 October 2020 inclusive.

3.4.2 Ideally, 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. However, to meet the proposed timetable for meeting the backstop dates in the national proposals to address the audit backlog the Council may need to publish draft accounts for public inspection in advance of the 2019/20 accounts having an audit opinion from Grant Thornton. Whilst it is not a requirement of the Regulations, in order to be able to meet the proposed backstop dates, the intention would be to publish the draft Accounts for public inspection following consultation with the Audit Committee Chair and then to report draft accounts to Audit Committee at the earliest opportunity during the public inspection period.

#### 3.5 Audit Conclusion of 2019/20 Accounts

3.5.1 At the June meeting of Audit Committee Grant Thornton stated they would present their Audit Findings Report for 2019/20 to the Committee in September. At present the meeting in September is scheduled for the last week of the month. To assist in a timely conclusion to the 2019/20 audit the Committee may wish to pursue the option of holding an additional meeting in early September to consider Grant Thornton's Audit Finding Report alongside the Council's Draft Accounts for 2019/20.

### **3.6 Addressing the Local Government Audit Backlog**

- 3.6.1 As the Committee will be aware following reports at previous meetings the Government published a cross-system statement on proposals to clear the backlog and embed timely audits.
- 3.6.2 The latest position is that the two consultations (DLUHC and National Audit Office) closed on 7 March 2024. The Council submitted a response to the DLUHC consultation which was primarily focussed on issues for local authorities. The National Audit Office consultation was in relation to proposed changes to the Auditors Code. A further consultation from CIPFA on technical changes to the Accounting Code to support the implementation of the proposals concluded on 28 March 2024.
- 3.6.3 The outcome of the consultation, including revised Regulations and guidance, is still awaited. The required changes to Regulations were not laid prior to Parliament being dissolved ahead of the General Election. It is therefore expected the required changes to Regulations, which may lead to the proposed backstop date being amended from those in the consultation, will be delayed to a date in the future.
- 3.6.4 The National Audit Office issued an update to auditors which is set out below:

## Considering the impacts of the general election on 4 July 2024

1. Auditors will be aware that on 22 May, the Prime Minister called a general election for 4 July. As a result, Parliament was dissolved on 30 May. This means that the proposals consulted upon by the NAO and DLUHC respectively for changes to the Code of Audit Practice and the introduction of statutory publication deadlines for audited accounts ('backstop' dates) cannot proceed until a new Parliament is formed and the new government has had the opportunity to consider whether it wishes to proceed with the proposals.
  2. Until then, auditors should continue to follow the current Code of Audit Practice. Where auditors are planning to complete audits, they should continue to make every effort to do so and as soon as possible.
  3. As information on the new government's policy for local audit in England becomes available the C&AG will keep the need for further guidance under review. He will also consider the timetable for a new Code of Audit Practice which will have to be in place by March 2025 as the current Code reaches the end of its five-year life.
  4. Until the new government has a policy position on the future of local audit in England it is not possible to provide any further clarity to auditors on next steps above and beyond what is set out in this SGN.
- 3.6.5 CIPFA announced on 3 July 2024 that it has revoked plans to make planned short-term changes to the Code of Accounting Practice, which were intended to help the achievement of compulsory deadlines for all outstanding local authority audits in England.

### **Indicative Timeline for Meeting Backstop Dates for Outstanding Accounts**

- 3.6.6 Since the announcement of the proposed backstop dates for Phase 1: Reset, covering all outstanding Accounts up to and including 2022/23, the Council has been considering the timeline for preparing draft accounts, undertaking the mandatory 30 day public inspection requirements, achieving approval/sign off from the Section 151 Officer/Audit Committee and receiving an external audit opinion.
- 3.6.7 The table below provides an initial and indicative timeline for key milestones for achieving the proposed backstop date. It should be noted the milestones are based on the proposed back stop date of end of September 2024 which are increasingly becoming difficult to achieve for the Council:

Milestone	2019/20 Accounts	2020/21 Accounts	2021/22 Accounts	2022/23 Accounts
Audit Committee Chair Approval to Release Draft Accounts for Public Inspection	Complete	July / August 2024	July / August 2024	September 2024
Public Inspection Period	Complete	August / September 2024	August / September 2024	October / November 2024
Audit Committee Consider Approval	Early September 2024	27 September 2024	27 September 2024	November / December 2024
External Audit Opinion	TBC			
Proposed Backstop Date (not yet confirmed)	30 September 2024 (date likely to change)			

3.6.8 The key issue for the Council to meet the proposed backstop date 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.

3.6.9 In line with the table highlighting Accounts Progress in 3.1 above, the 2022/23 draft Statement of Accounts will not be completed until August 2024 and with the 30 day public inspection period requirements, it will now no longer be possible to achieve Audit Committee approval by the proposed backstop dates.

3.6.10 If an audit opinion for 2019/20 is not forthcoming from Grant Thornton at the September Audit Committee, it will not be possible for the Council to achieve the proposed 30 September 2024 backstop date for any years of accounts up to and including 2022/23.

3.6.11 It should be noted there are a number of risks to this indicative timeline. These include:

- The timely conclusion of an audit opinion being issued for 2019/20
- Finalisation of the national backstop dates and related requirements/guidance being formally approved and published
- The risks identified in paragraph 3.8.3 below in relation to the Council's outstanding accounts.

### 3.7 Closedown and Draft Accounts 2023/24

3.7.1 Preparations for the closure and preparation of the Accounts for 2023/24 have commenced. The indicative timeline for key dates as they currently stand are set out in the table below:

Milestone	2023/24 Accounts
Outturn transactions recorded on ledger	Complete
Provisional Outturn Report considered by Executive Board	Complete (Executive Board June 2024)
Draft Accounts Published	31/10/24
Public Inspection	November / December 2024
External Audit	July / August 2024, and November 2024 to May 2025
Audit Committee Consider Approval	April or May 2025

Milestone	2023/24 Accounts
Proposed Backstop Date	31/5/25

3.7.2 The preparation and production of the 2023/24 Draft Accounts are being completed at the same time as the Council is working towards the proposed backstop dates for the outstanding Accounts as set out in 3.6 above. To provide maximum opportunity for meeting the 31 October 2024 date for publishing the draft Accounts for 2023/24 there is a clear window planned from the proposed backstop date of 30 September 2024.

3.7.3 The Council's is working closely with Grant Thornton with regards to their preparation and planning work for the 2023/24 accounts audit. The audit planning work has commenced and includes a review of the IT environment, a walkthrough of business processes and the provision of information to inform a risk assessment of the audit.

### 3.8 Risk Assessment

3.8.1 As set out above good progress has been, and continues to be, made towards clearing the outstanding accounts.

3.8.2 Since the submission of the draft 2019/20 Accounts to Grant Thornton in November 2023 work has progressed significantly to resolve issues and produce draft accounts for 2020/21, 2021/22, 2022/23 and 2023/24.

3.8.3 However, 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,
- Confirmation of the timing, and outcome of the consultation, of proposed backstop dates and related guidance at a national level to address the backlog in local government audit as outlined,
- 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 Background papers other than published works or those disclosing exempt or confidential information

4.1 None.

## 5 Published documents referred to in compiling this report

5.1 Statement of Accounts Update reports to Audit Committee in last 12 months:

- 28 July 2023 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 29 September 2023 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 24 November 2023 – [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 23 February 2024 – [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 22 March 2024 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 28 June 2024 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)

## 5.2 Consultation on Addressing The Local Audit Backlog:

- Government (DLUHC) - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](#)
- National Audit Office - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](#)
- Chartered Institute of Public Finance Accountants (CIPFA) - [Consultation on short term England only measures in the Code | CIPFA](#)



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

### Accounts Progress as at 9 July 2024

Year	Accounts Publication		Ledger	As Previously Reported in June 2024		Actual position as at 9 July 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	<p>Draft published 28 August 2020</p> <p><i>Public inspection completed in September/October 2020</i></p>	All required entries input by 30 September 2023.	<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>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 Draft Accounts, including prior year changes affecting 2019/20.</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.</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

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Year	Accounts Publication		Ledger	As Previously Reported in June 2024		Actual position as at 9 July 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	<p>Unsigned draft published 30 July 2021</p> <p>Revised draft accounts complete but not yet published.</p> <p><i>Public inspection not yet opened</i></p>	All ledger entries were completed by end September 2023.	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts.</p> <p><b>Draft Accounts Submission:</b> Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection expected during July/August. Draft to Audit Committee in July with approval in September. Proposed national backstop dates for publishing of Accounts is 30 September 2024.</p>	100%	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts.</p> <p><b>Draft Accounts Submission:</b> Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection and consideration by Audit Committee expected once 2019/20 audit is complete. Proposed national backstop dates for publishing of Accounts is 30 September 2024 (subject to confirmation).</p>	100%
2021/22	30 September 2022	<p>Draft accounts are complete but not yet published</p> <p><i>(was due 30 July 2022)</i></p> <p><i>Public inspection not yet opened</i></p>	All ledger entries were completed by end May 2024.	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Revised draft accounts have been prepared.</p> <p><b>Draft Accounts Submission:</b> Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection expected during July/August. Draft to Audit Committee in July with approval in September. Proposed national backstop dates for publishing of Accounts is 30 September 2024.</p>	100%	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Revised draft accounts have been prepared.</p> <p><b>Draft Accounts Submission:</b> Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection and consideration by Audit Committee expected once 2019/20 audit is complete. Proposed national backstop dates for publishing of Accounts is 30 September 2024 (subject to confirmation).</p>	100%

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Year	Accounts Publication		Ledger	As Previously Reported in June 2024		Actual position as at 9 July 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 and majority of accounting entries included.	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Draft accounts are expected to be ready by end July 2024.</p> <p><b>Draft Accounts Submission:</b> Draft accounts are expected to be ready by end July 2024. Public Inspection expected during July/August. Audit Committee in September for approval. Proposed national backstop dates for publishing of Accounts is 30 September 2024.</p>	85%	<p><b>Audit Queries Status:</b> Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p><b>Accounts Progress:</b> Draft accounts are expected to be ready by end July 2024.</p> <p><b>Draft Accounts Submission:</b> Draft accounts are expected to be ready by end July 2024. Public Inspection and consideration by Audit Committee expected once 2019/20 audit is complete. Proposed national backstop dates for publishing of Accounts is 30 September 2024 (subject to confirmation).</p>	95%