

## Audit Committee – 27 September 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 Officer Decision taken by the Corporate Director for Finance & Resources and Section 151 Officer with the support of the Best Value Finance Commissioner and in consultation with Chair of Audit Committee relating to the 2019/20 external audit opinion as set out in Section 3.4.	
<b>3</b>	To consider and approve the Statement Accounts 2019/20, Annual Governance Statement 2019/20 and Addendum to the Annual Governance Statement 2019/20 as set out in Appendix 2; and note the draft Management Representation Letter for 2019/20 is to be considered at the November meeting of the Committee.	
<b>4</b>	To take assurance the draft Statement of Accounts for 2020/21, draft Annual Governance Statement 2020/21 and Addendum to the Annual Governance Statement 2020/21 as set out in Appendix 3 has been published for the statutory public inspection period and will be considered by Audit Committee in November 2024 ahead of the proposed national backstop date.	
<b>5</b>	To take assurance the draft Statement of Accounts for 2021/22 and draft Annual Governance Statement 2021/22 as set out in Appendix 4 has been published for the statutory public inspection period and will be considered by Audit Committee in November 2024 ahead of the proposed national backstop date.	
<b>6</b>	To take assurance from the progress, indicative timeline and associated risks for publishing the Statement of Accounts for financial years 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 to meet the proposed national backstop dates as set out in Sections 3.6 to 3.8.	

### 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 five sets of accounts that should have already been published with audit opinions. These are 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24.
- 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 were responded to by the Council in November 2023, and the audit is continuing.
- 2.4 The Committee will also be aware of the issues with the local audit system at a national level and the proposals to reset, stabilise and improve the whole system. The report provides an update on the latest proposed backstop dates from Government and the approach the Council is taking to meet these.

## **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 September 2024**

<b>Financial Year</b>	<b>Producing Outstanding Accounts</b>	<b>Progress as at 13 September 2024</b>	<b>Expected Progress to end of September 2024</b>
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. Draft Accounts out for Public Inspection.	100%	100%
2021/22	Audit not yet commenced.  Draft accounts were completed in May 2024. Draft Accounts out for Public Inspection.	100%	100%
2022/23	Audit not yet commenced.  Draft accounts are expected to be ready for publication in September 2024.	99%	100%
2023/24	Audit not yet commenced.  Draft Accounts are expected to be ready for publication end October / early November 2024.	50%	60%

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 dependent 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 **Statement of Accounts 2019/20 and External Audit**

3.4.1 The Council has been in extensive discussions with Grant Thornton, its external auditor, regarding the conclusion of the 2019/20 audit and the proposed backstop dates announced by Government.

3.4.2 Grant Thornton have advised the Council that to provide a full audit opinion on the 2019/20 Statement of Accounts they would be required to undertake further audit

work to enable them to be provided with the required level of assurance on the figures in the draft Accounts. They have advised this approach would take additional time and cost the Council more money, as well as putting at risk the achievement of the proposed backstop dates for the Accounts upto 2022/23 and have an adverse impact on their time available to undertake the audit of the 2023/24 accounts. In addition, from the Council's perspective it would also have an impact on the Council's staff time as they would be required to respond to additional queries raised by Grant Thornton. This would have an impact on the Council achieving the backstop date for the 2020/21, 2021/22 and 2022/23 accounts, as well as lead to delays in the production of the draft Accounts for 2023/24.

- 3.4.3 Grant Thornton also set out an alternative approach for the 2019/20 audit opinion which would be to provide a 'backstop audit opinion'. This approach would involve minimal time for Grant Thornton, not cost the Council any more money and assist in meeting the proposed backstop dates. This option would also enable the Council to achieve the backstop dates and publish the draft Accounts for 2023/24 in accordance with the timelines outlined in this report.
- 3.4.4 The external audit opinion indicated by Grant Thornton in either option would be similar, and provide a 'disclaimed' opinion for the 2019/20 Accounts.
- 3.4.5 In line with the Council's Constitution an Officer Decision was taken by the Corporate Director for Finance & Resources and Section 151 Officer that the Council would proceed with the 'backstop audit opinion' approach set out by Grant Thornton. This decision was taken in consultation with the Commissioners and the Chair of Audit Committee. It was considered this approach provided the Council and local tax payers with the optimum value for money way forward.
- 3.4.6 A copy of this Operational Executive Decision is available on the Council's website at the following link [Decision - 5171 - External audit opinion 2019/20 - Nottingham City Council](#)
- 3.4.7 Grant Thornton have confirmed that a substantial amount of work has been done on their audit of the 2019/20 accounts. They will be providing a report on their findings of the work to date which will provide valuable insight for the Council into closing future years accounts. This report is included elsewhere on the agenda for this meeting.
- 3.4.8 Following the clarity of the direction of travel from Grant Thornton with regards to the 2019/20 audit and the presentation of their Audit Findings Report to the Committee the Council's draft Statement of Accounts 2019/20 and Annual Governance Statement 209/20 are ready to be considered by the Committee for approval. These are set out in Appendix 2.
- 3.4.9 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Corporate Director for Finance & Resources and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of their knowledge. The External Auditors have advised they are unable to issue this letter at present as the wording will require updating following to reflect the updated Regulations which are yet to be approved by Parliament. A copy of the draft Letter of Representation is expected to be considered at the November meeting of the Audit Committee.

### **3.5 Public Inspection Requirements**

- 3.5.1 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.
- 3.5.2 The Council had been planning to make subsequent draft accounts available for public inspection once the audit of the 2019/20 Draft Accounts has been finalised the Council. However, as the Council is still awaiting the audit opinion, and in order to meet the proposed timetable for meeting the backstop dates in the national proposals to address the audit backlog, the Council has published draft accounts for 2020/21 and 2021/22 for public inspection in advance of the 2019/20 accounts having an audit opinion from Grant Thornton. The draft accounts for 2022/23 are planned to be published for public inspection later in September.
- 3.5.3 Whilst it is not a requirement of the Regulations the draft accounts for 2020/21 and 2021/22 are presented to Audit Committee in Appendices 3 and 4, respectively, for information.
- 3.5.4 In accordance with the recommendation approved at the July 2024 Audit Committee the Chair of the Audit Committee was consulted prior to the draft accounts being published for inspection.
- 3.5.5 The period of public inspection for 2020/21 and 2021/22 draft accounts commenced on 16 September 2024 and will run until 25 October 2024 inclusive.
- 3.5.6 The Committee is required by Regulation to consider and approve the draft accounts. To meet the timeline of the proposed backstop dates it is expected the accounts for 2020/21, 2021/22 and 2022/23 will be considered for approval by the Committee at the November 2024 meeting.

### **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.
- 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.
- 3.6.4 On 30 July 2024 the Minister of State for Local Government and English Devolution issued a statement, a copy of which is shown at Appendix 5, which confirmed the new Government was committed to 'overhaul the local audit system to enable taxpayers to get better value for money' and set out the following (revised) proposed backstop dates:

- Financial years up-to-and-including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

3.6.5 At the time of writing this report further information is awaited regarding the timeline for these proposals to be adopted into the Regulations and for further guidance regarding the implementation/application from a practical perspective.

Indicative Timeline for Meeting Backstop Dates for Outstanding Accounts upto 2022/23

3.6.6 Since the announcement of the (revised) 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 13 December 2024 which are yet to be formally incorporated into Regulation:

<b>Milestone</b>	<b>2019/20 Accounts</b>	<b>2020/21 Accounts</b>	<b>2021/22 Accounts</b>	<b>2022/23 Accounts</b>
Public Inspection Period	Complete	16 September to 25 October 2024		Late September to Mid November
Audit Committee Review Draft Accounts for Public Inspection	Complete	27 September 2024		November 2024
Audit Committee Consider Approval of Accounts	November 2024			
External Audit Opinion	TBC			
Proposed Backstop Date (not yet confirmed)	13 December 2024			

3.6.8 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:

<b>Milestone</b>	<b>2023/24 Accounts</b>
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	November 2024 to February 2025
Audit Committee Consider Approval	February 2025
Proposed Backstop Date	28/2/25

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. This presents a risk to meeting the timeline for the draft accounts for 2023/24.

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,
- Property valuations. The Council uses a blended approach of both internal and external property valuers to provide the property asset valuation figures for the Accounts. These are high specialised areas of expertise and there are risks information if information is not provided in a timely manner on the production of the Accounts.
- 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)
- 26 July 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 \(www.gov.uk\)](https://www.gov.uk)
- National Audit Office - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk)
- Chartered Institute of Public Finance Accountants (CIPFA) - [Consultation on short term England only measures in the Code | CIPFA](https://www.cipfa.org.uk)

### 5.3 Ministerial Statement on The Local Audit Backlog (30 July 2024):

- Government Statement - [Written statements - Written questions, answers and statements - UK Parliament](https://www.parliament.uk)