

Audit Committee – 29 November 2024

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| Title of paper: | Statement of Accounts Progress Update | |
| Director(s)/ Corporate Director(s): | Stuart Fair, 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: | David Bennett, Interim Closedown Lead | |
| Does this report contain any information that is exempt from publication? No | | |
| Brief Summary 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"> • Progress update on the outstanding accounts • Approval of the 2020/21 to 2022/23 accounts • 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. | | |
| Recommendation(s): | | |
| 1 | To take assurance from the current position with the progress on the Statement of Accounts for the years 2019/20 through to 2023/24. | |
| 2 | To note the Council's management responses to the Audit Findings Report 2019/20 as set out in Appendix 2. | |
| 3 | To consider and approve the Management Representation Letter for 2019/20 as set out in Appendix 3. | |
| 4 | To consider and approve the Statement Accounts 2020/21, Annual Governance Statement 2020/21 and Addendum to the Annual Governance Statement 2020/21 as set out in Appendix 4; and approve the Management Representation Letter for 2020/21 as set out in Appendix 5. | |
| 5 | To consider and approve the Statement Accounts 2021/22 and Annual Governance Statement 2021/22 as set out in Appendix 6; and approve the Management Representation Letter for 2021/22 as set out in Appendix 7. | |
| 6 | To consider and approve the Statement Accounts 2022/23 and Annual Governance Statement 2022/23 as set out in Appendix 8; and approve the Management Representation Letter for 2022/23 as set out in Appendix 9. | |
| 7 | To note that the draft Statement of Accounts for 2023/24 will be published by officers for public consultation following consultation with the Chair. | |
| 8 | 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 3.3 to 3.9. | |

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.

2.4 The Committee received Grant Thornton's Audit Findings Report for 2019/20 and approved the 2019/20 Accounts at its meeting on 27 September 2024.

2.5 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 The Table 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 November 2024

| Financial Year | Producing Outstanding Accounts | Progress as at 7 November 2024 | Expected Progress to end of November 2024 |
|-----------------------|---|---------------------------------------|--|
| 2019/20 | Audit Committee approved the Accounts in September 2024. Audit opinion expected by 13 December 2024 backstop date. | 100% | 100% |
| 2020/21 | Revised draft accounts were completed in December 2023. Public Inspection was completed on 25 October 2024. | 100% | 100% |
| 2021/22 | Draft accounts were completed in May 2024. Public Inspection was completed on 25 October 2024. | 100% | 100% |
| 2022/23 | Draft accounts were completed in October 2024. Public Inspection is currently being undertaken and was completed on 19 November 2024. | 100% | 100% |
| 2023/24 | Audit work has commenced. Draft Accounts are expected to be ready for publication end November / early December 2024. | 80% | 90% |

3.2 Public Inspection Requirements

3.2.1 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 need to be observed for all outstanding years except for 2019/20 which was open from 1 September to 12 October 2020 inclusive.

3.2.2 The Council has undertaken the public inspection requirements for the 2020/21, 2021/22 and 2022/23 draft accounts.

3.2.3 The period of public inspection will take place for the 2023/24 accounts once they have been prepared in draft format. It is not a requirement of the Regulations the draft accounts are presented to Audit Committee. However, 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.

3.2.4 The period of public inspection for 2020/21 and 2021/22 draft accounts commenced on 16 September 2024 and ran until 25 October 2024 inclusive. The period of public inspection for the 2022/23 draft accounts commenced on 09 October 2024 and ran until 19 November 2024. The Council is not aware of any objections had been received for any of the draft accounts.

3.3 Addressing the Local Government Audit Backlog

3.3.1 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.

3.3.2 The following backstop dates are proposed:

- 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

3.3.3 At the time of writing the changes required are not formally approved into Regulation and guidance. However, this is expected to happen during November 2024.

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

3.3.4 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:

| Milestone | 2019/20 Accounts | 2020/21 Accounts | 2021/22 Accounts | 2022/23 Accounts |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Public Inspection Period | Complete | | | |
| Audit Committee Review Draft Accounts for Public Inspection | Complete | | | November 2024 |
| Audit Committee Consider Approval of Accounts | November 2024 | | | |
| External Audit Opinion | TBC | | | |
| Proposed Backstop Date (not yet formally adopted into statute) | 13 December 2024 | | | |

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

- Finalisation of the national backstop dates and related requirements/guidance being formally approved and published
- The risks identified in paragraph 3.9.3 below in relation to the Council's outstanding accounts.

3.4 Statement of Accounts 2019/20 and External Audit

3.4.1 The Committee considered Grant Thornton's Audit Findings Report for 2019/20 and approved the Accounts for 2019/20 at its meeting on 27 September 2024.

3.4.2 The Council has prepared management responses to the recommendations made in the Audit Findings Report for 2019/20 in relation to the Accounts audit. These are set out in Appendix 2. The Council will provide an update towards progress in implementing the recommendations to future Audit Committee meetings. In addition, the Audit Findings Report for 2019/20 included recommendations in relation to the IT audit work that was undertaken. These recommendations are either no longer relevant as they relate to systems the Council no longer uses (e.g. the Council implemented a new financial system in April 2021) or to have been superseded by recommendations arising

from the IT audit that was undertaken by Grant Thornton as part of their audit planning work for 2023/24 and are reported to Committee elsewhere on the agenda for this meeting.

- 3.4.3 It was outlined to the Committee at the meeting that Grant Thornton would not be able to provide a draft Management Representation letter to the Council or issue their audit opinion until the proposed changes to the Accounts and Audit Regulations, and associated guidance, in relation to the backstop dates was incorporated into statute.
- 3.4.4 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.
- 3.4.5 A copy of the draft Management Representation letter is set out in Appendix 3. The Committee are required to review the letter, consider if there are any changes required and approve the letter.

3.5 Draft Accounts 2020/21

- 3.5.1 The draft Accounts for 2020/21 were presented to the Audit Committee in September 2024.
- 3.5.2 The statutory period of public inspection concluded on 25 October 2024. There were no questions raised, and the Council is not aware of any objections regarding the Accounts that were made to the external auditor.
- 3.5.3 Following the public inspection, and ahead of the backstop date of 13 December, the Council's draft Statement of Accounts 2020/21, Annual Governance Statement 2020/21 and Addendum to the Annual Governance Statement 2020/21 are ready to be considered by the Committee for approval. These are set out in Appendix 4.
- 3.5.4 A copy of the draft Management Representation letter is set out in Appendix 5. The Committee are required to review the letter, consider if there are any changes required and approve the letter.

3.6 Draft Accounts 2021/22

- 3.6.1 The draft Accounts for 2021/22 were presented to the Audit Committee in September 2024.
- 3.6.2 The statutory period of public inspection concluded on 25 October 2024. There were no questions raised, and the Council is not aware of any objections regarding the Accounts that were made to the external auditor.
- 3.6.3 Following the public inspection, and ahead of the backstop date of 13 December, the Council's draft Statement of Accounts 2021/22 and Annual Governance Statement 2021/22 are ready to be considered by the Committee for approval. These are set out in Appendix 6.

3.6.4 A copy of the draft Management Representation letter is set out in Appendix 7. The Committee are required to review the letter, consider if there are any changes required and approve the letter.

3.7 Draft Accounts 2022/23

3.7.1 The draft Accounts for 2022/23 were published for public inspection on 9 October 2024.

3.7.2 The statutory period of public inspection concluded on 19 November 2024. There were no questions raised, and the Council is not aware of any objections regarding the Accounts that were made to the external auditor.

3.7.3 Following the public inspection, and ahead of the backstop date of 13 December, the Council's draft Statement of Accounts 2022/23 and Annual Governance Statement 2022/23 are ready to be considered by the Committee for approval. These are set out in Appendix 8.

3.7.4 A copy of the draft Management Representation letter is set out in Appendix 9. The Committee are required to review the letter, consider if there are any changes required and approve the letter.

3.8 Closedown and Draft Accounts 2023/24

3.8.1 Preparations for the closure and preparation of the Accounts for 2023/24 have progressed significantly. The 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 | Mid December |
| Public Inspection | December 2024 to January 2025 |
| External Audit | October 2024 to February 2025 |
| Audit Committee Consider Approval | 7 February 2025 |
| Proposed Backstop Date | 28/2/25 |

3.8.2 The preparation and production of the 2023/24 Draft Accounts are in the final stages of completion. It is anticipated they will be published for public inspection and made available for audit around mid December 2024.

3.8.3 In line with the recommendation agreed by the Committee in July 2024 there will be a consultation with the Chair prior to the draft accounts being published.

3.8.4 The Council have been working closely with Grant Thornton with regards to their preparation and planning work for the 2023/24 accounts audit. The audit planning work to date 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. A copy of Grant Thornton's Audit Plan is being considered by Audit Committee elsewhere on the agenda.

3.8.5 To maximise the amount of audit work Grant Thornton have already commenced aspects of their audit work. The Council is supporting this process ahead of providing the draft Accounts.

3.9 Risk Assessment

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

3.9.2 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.

3.9.3 However, the achievement of these timelines is heavily dependent upon number of factors, including the:

- Confirmation of the timing, and outcome of the 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)
- 26 July 2024 - [WARDS AFFECTED: All \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- 27 September 2024 -

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](#)

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24

Accounts Progress as at 8 November 2024

| Year | Accounts Publication | | Ledger | As Previously Reported in September 2024 | | Actual position as at 8 November 2024 | |
|---------|---|---|--|--|--------------|---|--------------|
| | 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 | <p>Draft published 28 August 2020</p> <p><i>Public inspection completed in September/October 2020</i></p> <p><i>Audit Committee approved Accounts in September 2024</i></p> | All required entries input by 30 September 2023. | <p>Audit Queries Status: 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>Audit Queries Status: 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 presented the outcome of their audit work in the Audit Findings Report to Audit Committee in September 2024.</p> | 100% |
| | | | <p>Accounts Progress: All changes have been made to the Draft Accounts, including prior year changes affecting 2019/20.</p> | <p>Accounts Progress: Accounts approved by Audit Committee in September 2024.</p> | | | |
| | | | <p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 8 November 2023.</p> | <p>Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 8 November 2023.</p> | | | |

¹ per Accounts & Audit Regulations

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24

| Year | Accounts Publication | | Ledger | As Previously Reported in September 2024 | | Actual position as at 8 November 2024 | |
|---------|---|--|--|--|--------------|---|--------------|
| | 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 Revised draft accounts complete. Public inspection opened 16 September 2024 and concluded on 25 October 2024 | All ledger entries were completed by end September 2023. | Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken. | 100% | Audit Queries Status: As reported to Audit Committee in September 2024 the proposed national backstop dates mean no audit is to be undertaken. | 100% |
| | | | | Accounts Progress: Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts. | | Accounts Progress: Revised draft accounts have been prepared and reflect the changes included in the Draft 2019/20 Accounts. | |
| | | | | Draft Accounts Submission: 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). | | Draft Accounts Submission: Draft Accounts have been produced and submitted to Grant Thornton. Draft Accounts were presented to Audit Committee in September 2024. Public Inspection has concluded. Proposed national backstop dates for publishing of Accounts is 13 December 2024 (subject to confirmation). | |
| 2021/22 | 30 September 2022 | Draft accounts are complete Public inspection opened 16 September 2024 and concluded on 25 October 2024 | All ledger entries were completed by end May 2024. | Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken. | 100% | Audit Queries Status: As reported to Audit Committee in September 2024 the proposed national backstop dates mean no audit is to be undertaken. | 100% |
| | | | | Accounts Progress: Revised draft accounts have been prepared. | | Accounts Progress: Draft accounts have been prepared. | |
| | | | | Draft Accounts Submission: Draft Accounts have been produced and are awaiting finalisation of the 2019/20 audit. Public Inspection has commenced and draft Accounts have been presented to Audit Committee. Proposed national backstop dates for publishing of Accounts is 13 December 2024 (subject to confirmation). | | Draft Accounts Submission: Draft Accounts have been produced and submitted to Grant Thornton. Draft Accounts were presented to Audit Committee in September 2024. Public Inspection has concluded. Proposed national backstop dates for publishing of Accounts is 13 December 2024 (subject to confirmation). | |

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24

| Year | Accounts Publication | | Ledger | As Previously Reported in September 2024 | | Actual position as at 8 November 2024 | |
|---------|---|---|---|---|--------------|---|--------------|
| | 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 | Draft accounts are complete Public inspection opened on 9 October 2024 and concluded on 19 November 2024 | All ledger entries were completed by end October 2024. | <p>Audit Queries Status: Audit not yet commenced. Proposed national backstop dates likely to mean no audit is undertaken.</p> <p>Accounts Progress: Draft accounts are expected to be ready by end September 2024.</p> <p>Draft Accounts Submission: Draft accounts are expected to be ready by end July 2024. Public Inspection expected to commence by early October. Proposed national backstop dates for publishing of Accounts is 13 December 2024 (subject to confirmation).</p> | 99% | <p>Audit Queries Status: As reported to Audit Committee in September 2024 the proposed national backstop dates mean no audit is to be undertaken.</p> <p>Accounts Progress: Draft accounts have been prepared.</p> <p>Draft Accounts Submission: Draft Accounts have been produced and submitted to Grant Thornton. Public Inspection has concluded. Proposed national backstop dates for publishing of Accounts is 13 December 2024 (subject to confirmation).</p> | 100% |
| 2023/24 | 31 May 2024 | No draft yet produced | Initial close of ledger complete. Final accounting entries are being processed. | <p>Audit Queries Status: Audit not yet commenced. Audit planning being undertaken, full audit due to be undertaken between November 2024 and February 2025.</p> <p>Accounts Progress: Draft accounts are expected to be ready by end October/early November 2024.</p> <p>Draft Accounts Submission: Draft accounts are expected to be ready by end October/early November 2024. Public Inspection expected to commence in November 2024 and consideration by Audit Committee of draft Accounts expected in November 2024. Proposed national backstop dates for publishing of Accounts is 28 February 2025 (subject to confirmation).</p> | 50% | <p>Audit Queries Status: Audit not yet commenced. Audit planning being undertaken, audit work commenced and due to be undertaken until February 2025.</p> <p>Accounts Progress: Draft accounts are expected to be ready around mid December 2024.</p> <p>Draft Accounts Submission: Draft accounts are expected to be ready around mid December 2024. Public Inspection expected to commence in December 2024 and considered by Audit Committee in February 2025. Proposed national backstop dates for publishing of Accounts is 28 February 2025 (subject to confirmation).</p> | 80% |

