



Report to Audit and Governance Committee

Date: 27th September 2023

Title: Statement of Accounts Update

Relevant councillor(s): N/A

Author and/or contact officer: David Skinner (S151)

Ward(s) affected: Not applicable

Recommendations: Members are requested to note the report.

Reason for decision: Not applicable

Executive summary

- 1.1 This report provides the Committee with an update on the audit of the Main Council Statement of Accounts for the financial year 2020/21.
- 1.2 Department for Levelling Up Housing & Communities (DLUHC) proposed approach to resolve local audit delays and its impact on the Council.
- 1.3 Updated key milestones for clearing audit backlog.
- 1.4 Summary of Audit Progress 2020/21 to 2022/23 attached at Appendix 1.

Main Council Statement of Accounts 2020/21 update

- 1.5 On 29th March 2023 the committee was provided with a written update on the Council's main Statement of Accounts for 2020/21 with the anticipated completion of the audit by the end of December 2023. The key highlights of the report are summarised below:-
 - agreed approach with the auditor on format of the working papers to address issues around significant absolute values;
 - The timescale for submission of these for the six areas highlighted by the auditors; and

- The audit approach on testing covering three main areas : limited testing on opening balance; in-year transactions and limited testing on the cleansed data.
- 1.6 Regular verbal updates have been provided at each of the committee meetings since then.
 - 1.7 The closing team at the Council has made good progress and have submitted the revised working papers for five out of the six areas along with evidence of the sampling selected by the auditors. Work continues to cleanse the data for Other Operating Expenditure (OPEX) and we are expecting to submit this by end of September.
 - 1.8 The Grant Thornton Audit team has been off site since May 2023, they are expected to resume the audit at the Council in October 2023 and are still on track to complete the audit of Main Statement of Accounts for 2020/21 by the end of December 2023.

DLUHC proposed approach to resolve local audit delays and it's impact

- 1.9 On 18th July 2023, Minister Rowley issued a letter to the sector following the work done by DLUHC along with colleagues from Financial Reporting Council (FRC). The focus of this work was to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges.
- 1.10 The combined total outstanding local audits, as at July 2023 dating back to 2015-16 was 520: for financial year 2020/21 was 145 (31%) and for 2021/22 was 347 (74%). This demonstrates that Buckinghamshire Council is not in a unique situation especially considering the challenges of Unitary during Covid such as: Opening Balances; multiple Legacy Systems; the Golden Staple and consequent realignment of budgets and actuals; increased Value and Volume of transactions resulting Covid grant income; Loss of closing staff and continuity.
- 1.11 The proposal is for the National Audit Office (NAO) and DLUHC to set a series of statutory deadlines to clear the delayed audits for 2015/16 to present. Auditors would be required to report at these dates, providing as much assurance as possible, but limiting the scope of the opinion where aspects or sections of the accounts are not supported by sufficient, appropriate audit evidence. Auditor's Statutory powers (e.g. Public Interest Reports and Statutory Recommendations) and the requirement to report on Value for Money (VfM) arrangements will remain a high priority.
- 1.12 Please see timetable on the next page setting out the proposed backstop statutory dates where accounts will either need to be approved or receive some kind of qualification. A lot of this will depend on the detail in various changes to legislation that are being considered. We need to see the draft proposed legislation to

understand the impact both on the council as preparers of accounts and also importantly on the standards regime for auditors.

Year	Proposed Statutory deadline	BC Existing Dates	Comments
2015/16-2019/20	31/12/23	Not applicable	All accounts prior to 2020/21 have been approved.
2020/21	31/3/24	December 2023	We are still on track for completion by December 23.
2021/22	31/3/24	April 2024	We only need to bring forward the planned deadline by 1 month. The practicality of this will depend on the legislative changes that are being considered and also the completion of 2020/21 accounts. Will be kept under review.
2022/23	30/9/24	December 2024	Following conversation with the auditors this will be tight timescales and will depend on the legislative changes, however it is achievable.
2023/24	31/3/25	April 2025	This will be achievable as the prior year audit (2022/23) is moved forward by 3 months.

1.13 In respect of resourcing to deliver, this timetable will be tight for us as the team will be flat out to deliver however it is still achievable especially in the light of the progress we have made with the auditor on 2020/21. We may need some additional capacity and there is a risk of burnout that will need to be monitored especially if there is sickness etc. Resourcing may be more of an issue for the auditor as they normally move staff between LA and NHS audits.

1.14 It is also noted in the Minister's letter that there is a need for prior year comparators to be covered by an unqualified audit opinion and achieving this for 2022/23 will be important for ensuring that the most recent audit contracts can begin without the risk of further delay. For the Council this will impact financial year 2023/24 as we have extended the current contract with Grant Thornton for a year to ensure continuity is maintained whilst we work to clear the backlog.

1.15 **Longer Term Change** – In order to prevent a recurrence of the backlog, the Department will progress work with number of organisations including the FRC, the NAO, Chartered Institution of Public Finance and Accountancy (CIPFA), and the Local Government Association (LGA) to address challenges. The list below summarises some of the issues being or will be addressed but it is not exhaustive:

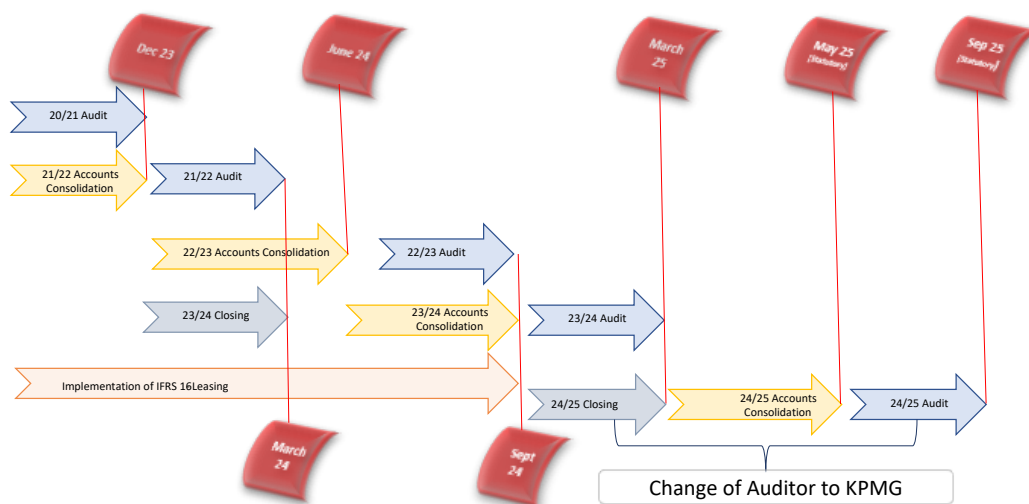
- Devise a reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines.
- FRC is already leading work to improve competition, capability and supply within the audit market and committed to produce a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.
- Addressing perception that both audit and regulatory expectations relating to the audit of non-investment assets and lack of consensus within the system over how to address this.
- Will consider whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low and whether it is a wise use of taxpayers' money.
- The Comptroller & Auditor General (C&AG) is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
- His Majesty's Treasury (HMT) is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
- CIPFA is exploring changes to the Code of Practice on Local Authority Accounting, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context.
- FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies.

1.16 **Consultation** - The proposals will be subject to further work and engagement across the sector over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the LGA and audit firms. As a Council we will provide input and liaise with the Chair of this Committee for a view.

Updated Key Milestones to clear audit backlog

- 1.17 Following proposals by the department to address local audit delays detailed in paragraphs 1.8 to 1.12, a revised timetable as summarised below has been agreed with the auditor and will be reviewed in the light of the progress on 20/21 audit and any legislative changes.

Key Milestones— August 2023 to September 2025



Summary of Audit Progress 2020/21 to 2022/23

- 1.18 The table at Appendix 1 provides a summary and an update on Audit Committee activity in respect of External Audit progress.

Other options considered

- 1.19 Not applicable

Legal and financial implications

- 1.20 Not directly related to this report.

Corporate implications

- 1.21 Not applicable

Consultation and communication

- 1.22 Not applicable

Next steps and review

- 1.23 Engagement in the consultation process on proposals to address local audit delays.

Background papers

- 1.24 Ministerial letter and briefing paper.

Summary of External Audit Progress for 2020/2021 to 2022/2023			
Activity	2020/2021	2021/2022	2022/2023
Audit Plan & Fee Letter - Main Council Accounts	Noting - 23 Nov 22	TBC	TBC
Audit Plan & Fee Letter - Pension Fund Accounts	Noting - 28 July 21	Noting - 29 Mar 23	Due September 23
Audit Risk Assessment - Main Council Accounts	Consider & Comments 23 Nov 22	TBC	TBC
Annual Governance Statement - Main council Accounts	Approved with delegation 11 May 22	Approved 23 Nov 22	Draft considered 05 July 23 Amended due Sept 23
Audited Statement of Accounts (including External Audit findings Report) - Main Council	TBC	TBC	TBC
Audited Statement of Accounts (including External Audit findings Report) - Pension Fund	Approved with delegation 5 July 23	Approved with delegation 10 May 23	Due September 23
Management representation letter - Council & Pension Fund (not due until main accounts are ready for approval)	TBC	TBC	TBC
Value for Money Assessment - Auditors Annual Report	Consider & Comments 1 Feb 23	Consider & Comments 5 July 23	TBC
Housing Benefit Grant Claim Certification	Noting - 05 July 23	Due September 23	Due January 24
Farnham Park Sport Field Charity Accounts	Approved with delegation 30 Nov 21	Approved 27 Sept 22	Due September 23
Higginson Park Charity Accounts	Approved with delegation 25 Jan 22	Approved 27 Sept 22	Due September 23