



Report to Audit & Governance Committee

Date:	27 th November 2023
Title:	Statement of Accounts Update
Cabinet Member(s):	N/A
Contact officer:	Hasina Shah
Ward(s) affected:	N/A
Recommendations:	Members are requested to note the report
Reason for recommendation:	N/A

1. Executive summary

1.1 This report provides the Committee with an update on:

- The audit of Main Council Statement of Accounts for the financial year 2020/21.
- Update on audit backlog backstop date and its impact on the Council.
- Impact on future years audit and change of auditor if opinion with limited scope is issued.
- Summary of Audit Progress 2020/21 to 2022/23 attached at Appendix 1.

2. Main Council Statement of Accounts 2020/21 update

2.1 Since the last update provided in September 2023, the closing team at the Council has submitted the final working paper on Operating Expenditure (OPEX) and a revised Statement of Accounts for hot review to the auditors.

2.2 The audit team has resumed work and have resourced the team along with a support manager to ensure the audit is completed by end of December. Twice weekly meetings are held to monitor the progress.

2.3 The closing team is prioritising the requests from the auditors. To support the team, an interim accountant has been appointed.

- 2.4 The following table provides a summary of the audit activity as at 17th November 2023 (this table will be updated before dispatch)

Description	Total Volume/area of work	Council to Provide Evidence	Auditors Processing	Audit Work completed for review	% Completion before Audit Partner review
Samples	435	69	70	296	68%
Tasks	21	0	0	14	67%

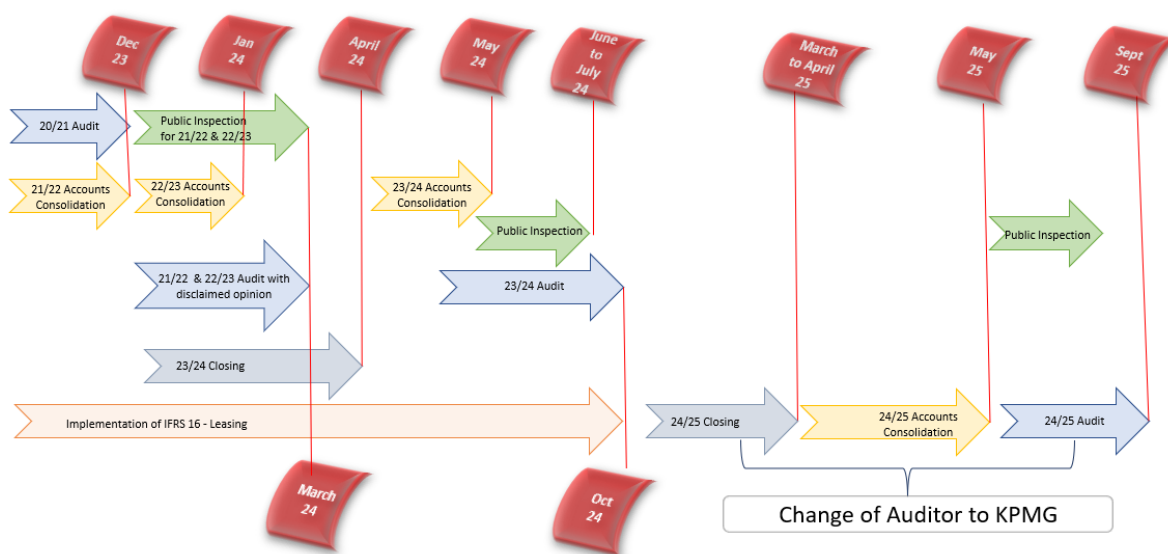
- 2.5 Approval of Accounts – Following the completion of audit by end of December 2023, the audited accounts will be presented to this Committee at its January meeting for approval along with the following:-
- The audit findings report;
 - The Audit Opinion; and
 - Management Representation letter for the Council and Pension Fund Accounts.

3. Update on audit backlog backstop date and its impact on the Council

- 3.1 The latest update on the above is that the backstop date for all accounts up to and including 2022/23 is now 31 March 2024. This is subject to approval by the Minister, consultation and passing of the legislation and it is expected that the necessary guidance and legislation will be in place by 31 December 2023.
- 3.2 The Audit Code of Practice will not be changed for accounting periods up to and including 2022/23 and therefore all these periods of accounts require a full audit.
- 3.3 It is not possible to complete the audits for 3 years of accounts by 31st March 2024. At the moment it has been agreed with the auditor that a full audit of 2020/21 to be completed as per the original deadline of 31st December 2023.
- 3.4 The financial statements along with supporting working papers for 2021/22 and 2022/23 will need to be prepared by 31st January 2024 and will need to have a disclaimed opinion.
- 3.5 Once this backlog is cleared, the statutory deadline will be adhered to for 2023/24 for publication of audited statement of accounts. For this to be achieved, the auditor will undertake an opening balances audit by auditing 2022/23 accounts. This will reduce the level of qualification of the 2023/24 opinion and it is expected this work will be undertaken in February and March 2024.
- 3.6 In addition to the above, the Council will also need to comply with the audit regulations in respect of Public Inspection which means this will start as soon as the draft accounts for 2021/22 and 2022/23 are ready and likely to be in the new calendar year.

3.7 The key milestones incorporating the above changes are summarised below:

Key Milestones – November 2023 to September 2025



4. Impact on future years audit and the change of auditor

4.1 If the auditor has to issue qualification on the audit opinion for 2023/24, then this is going to have a long-term impact on Council as summarised below:-

- **Ongoing impact** – if the opinion with limited scope relates to balance sheet items then the limitation will continue for future years. As there is a change of audit firm from 2024/25 then realistically, the opinion with limited scope will most likely continue for at least another couple of year before it can be cleared which means the qualification could continue until financial year 2026/27.
- **Disclosure requirements** – It will result into additional disclosure requirements which will have an impact on the audit as these disclosure notes will also need to be audited.
- **Restatements** – if the limitations on the audit scope results into material misstatements then it may require restating prior-year figures when the issues are resolved in subsequent year this again would lead to more audit work.
- **Reputational risk** – There is a potential risk for negative publicity and public perception which could increase into more accountability to our residents (e.g. increase in the Freedom of Information requests).
- **Financial impact** – due to additional disclosure requirements and possible restatements this will have an impact on both the resources at the Council and audit fees.

4.2 **Change of Auditor from financial year 2024/25** – For the first year of transition the audit process is likely to take longer as there will be loss of knowledge of the Council’s operations, processes and history and therefore there will be a steep initial learning curve which can affect the overall progress of the audit.

4.3 With limited scope opinion it will be challenging to get back on track in the medium term. Due to change of auditor, 2025/26 will be the first typical year with the new auditor. In addition to this there may still be outstanding items around limited scope opinion and therefore the optimistic view is it will not be until financial year 2026/27 or even thereafter to get back on track.

5. Summary of Audit Progress 2020/21 to 2022/23

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

6. Other options considered

6.1 Not applicable

7. Legal and financial implications

7.1 Not directly related to this report.

8. Corporate implications

8.1 Not applicable

9. Communication, engagement & further consultation

9.1 Not applicable

10. Next steps and review

10.1 Not applicable

11. Background papers

11.1 Not applicable



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 November 22	TBC	TBC
Audit Plan & Fee Letter - Pension Fund Accounts	Noting - 28 July 21	Noting - 29 Mar 23	Noting - 27 September 23
Audit Risk Assessment - Main Council Accounts	Consider & Comments 23 November 22	TBC	TBC
Annual Governance Statement - Main council Accounts	Approved with delegation 11 May 22	Approved 23 November 22	Approved 27 September 23
Audited Statement of Accounts - Main Council	TBC	TBC	TBC
Audited Statement of Accounts - Pension Fund	Approved with delegation 5 July 23	Approved with delegation 10 May 23	Due November 23
Management representation letter - Council & Pension Fund Accounts (not due until main accounts are ready for approval)	TBC	TBC	TBC
Value for Money Assessment - Auditors Annual Report	Consider & Comments 1 February 23	Consider & Comments 5 July 23	TBC
Housing Benefit Grant Claim Certification	Noting 05 July 23	Noting 27 September 23	Due November 23
Farnham Park Sport Field Chairty Accounts	Approved with delegation 30 Nov 21	Approved 27 September 22	Approved 27 September 22
Higginson Park Chairty Accounts	Approved with delegation 25 January 22	Approved 27 September 22	Approved 27 September 22