

A person in a blue shirt is working on a laptop at a wooden desk. A red coffee cup with a latte is on the desk. The background is blurred.

# UPDATE TO THE STANDARDS AND AUDIT COMMITTEE

28 November 2024

# UPDATE REPORT TO THE STANDARDS AND AUDIT COMMITTEE

## Introduction and Background


On 9 September 2024 the Government laid in Parliament a Statutory Instrument, ‘The Accounts and Audit (Amendment) Regulations 2024’, which introduces backstop dates by which point local bodies must publish audited accounts. The Government, on behalf of the Comptroller and Auditor General, also laid a revised ‘Code of Audit Practice 2024’ (the Code). This came into effect on 14 November 2024. The revised Code requires auditors to give their opinion in time to enable local bodies to comply with the backstop date. The backstop date for historical audit opinions up to and including financial year 2022/23 is 13 December 2024.

Further details on the Government’s backstop arrangements, and the steps being taken to tackle the local audit backlog, are set out in the Financial Reporting Council’s (FRC’s) Guide ‘Local Audit Backlog Rebuilding Assurance’, and in a letter sent by the Ministry of Housing, Communities and Local Government (MHCLG) on 9 September. Both documents are appended to this report.

## Requirements of the Accounts and Audit Regulations 2015

For each set of statement of accounts for the period 2019/20 - 2022/23, the Council is required to comply with the Accounts and Audit Regulations 2015. These require the Responsible Financial Officer (RFO) to:

- Sign and date the statement of accounts, and confirm that they are satisfied that they present a true and fair view of
  - The financial position of the authority at the end of the financial year to which it relates
  - The authority's income and expenditure for that financial year
- Commence the period for the exercise of public rights
- Notify the local auditor of the date on which that period commenced.



Following the conclusion of the period for the exercise of public rights, a local authority must:

- Consider, either by way of a committee or by members meeting as a whole, the statement of accounts
- Approve the statement of accounts by a resolution of that committee or meeting
- Ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

The RFO must then re-confirm that they are satisfied that the statement of accounts presents a true and fair view of:

- The financial position of the authority at the end of the financial year to which it relates
- That authority's income and expenditure for that financial year, before the local authority approves the statement of accounts.

### **Audit of the statement of accounts**

The table on the following page provides a summary of the status of incomplete audits for the Council for the financial years up to and including 2022/23. This includes the type of opinion we currently expect to give.



Financial year	Status of the Audit	Expected type of opinion *
2019/20	For the 2019/20 financial year our audit work on the Council's financial statements is substantially complete. While we have completed some testing on employee costs reported within the Comprehensive Income and Expenditure Statement, the imposition of the backstop date means that we have been unable to complete all the testing we would need to complete to issue an unqualified audit opinion. We therefore intend to issue an 'Except for' qualified audit opinion.	'Except for' qualified opinion
2020/21	Draft statement of accounts have been received for the Council. We are in the process of completing minimum allowable audit procedures in relation to these.	Disclaimer of opinion
2021/22	Draft statement of accounts have been received for the Council. We are in the process of completing minimum allowable audit procedures in relation to these.	Disclaimer of opinion
2022/23	Draft statement of accounts have been received for the Council. We are in the process of completing minimum allowable audit procedures in relation to these.	Disclaimer of opinion



### Minimum allowable audit procedures

To help auditors meet the Government's requirements in respect of the statutory backstop date, on 10 September 2024 the National Audit Office published a package of Local Authority Reset and Recovery Implementation Guidance (LARRIGs). These have been endorsed by the FRC. We have carefully considered the LARRIGs when determining the audit procedures we need to perform before issuing a disclaimer of opinion on the Council's statement of accounts. These procedures include, but are not limited to:

- evidencing our independence
- confirming engagement acceptance and continuance
- determining the scope of the audit
- determining materiality
- formulating an overall audit strategy
- responding to actual or suspected non-compliance with laws and regulations
- reviewing minutes of meetings of including, but not limited to, Council, Corporate Management Committee, and the Standards and Audit Committee
- agreeing opening balances and comparative figures to prior year statement of accounts
- checking statement of accounts for internal consistency and arithmetic accuracy
- evaluating any misstatements identified
- drafting a combined Audit Planning Report and Audit Completion Report and presenting it to the Standards and Audit Committee, or to members meeting as a whole.



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### Value for money arrangements

Prior to giving an opinion on the statement of accounts, auditors either need to have completed their work in respect of the Council's value for money arrangements or have determined that any remaining work will not have a material impact on the statement of accounts. The table on the following page summarises the status of incomplete value for money work for the Council for each financial years up to and including 2022/23, the conclusion we currently expect to reach for each year, and the planned output from our work.

We are currently considering one matter relevant to our value for money conclusion for the 2019/20 year. This relates to the Council's borrowing from the Public Works Loans Board for the purposes of acquiring commercial property for the generation of income or capital appreciation. This matter is also relevant to our consideration of the Council's compliance with relevant laws and regulations. For the 2019/20 year, the Council acquired one such property, at a cost of c.£30 million. The Council has made no further commercial property acquisitions after March 2020.

We do not expect to have concluded our work in relation to this matter by 13 December 2024. This will prevent us from giving an opinion on the statement of accounts by the backstop date. The Accounts and Audit (Amendment) Regulations 2024 state that where a local auditor is considering such matters, the local authority must publish a notice stating that it has not been able to publish audited accounts and its reasons for this. This notice should be published on 13 December 2024 or as soon as reasonably practicable after.

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Financial year	Status of value for money work	Expected conclusion	Output*
2019/20	Work is currently in progress, and incomplete pending completion of our work on the Council's commercial investments.	To be determined following completion of work on commercial investments	Conclusion on value for money arrangements
2020/21	Our value for money work is currently in progress.	Based on work completed to date, no significant weaknesses in the Council's arrangements have been identified	Commentary on value for money arrangements and reporting of any significant weaknesses identified
2021/22	Our value for money work is currently in progress.		
2022/23	Our value for money work is currently in progress.		

*\*Audits prior to 2020/21 were performed under the Code of Audit Practice 2015. This requires a different approach to value for money work than is required for 2020/21 audits onwards. The revised Code allows auditors to issue a combined commentary on value for money arrangements for incomplete audits up to and including the 2022/23 year. We therefore intend to issue a combined commentary for the years 2020/21 - 2022/23. The identification and reporting of any significant weaknesses will, however, be assessed on a year-by-year basis.*