

Bolsover District Council

Meeting of the Audit Committee on 12th March 2024

Local audit delays – consultation and proposals for the future

Report of the Director of Finance and Section 151 Officer

Classification	This report is public
Contact Officer	Director of Finance and Section 151 Officer Theresa Fletcher

PURPOSE/SUMMARY OF REPORT

The Committee is asked to note the report on the local audit delays, the consultation on clearing the backlog of audits and the proposals for the future to ensure timely audits for the sector.

REPORT DETAILS

1. Background

- 1.1 Members will be aware that every Council by law, must prepare a statement of accounts each year. These have to be published as a draft version, audited by external auditors (ours are called Mazars), then approved by this Committee and published as a set of audited financial statements on our website.
- 1.2 The statement of accounts represents the main document that local residents, councillors, central government and other accounts users need to demonstrate what money the Council has received and how it used its resources so they can hold it to account.
- 1.3 When preparing the statement of accounts, the key document for authorities in England is the Accounts and Audit Regulations 2015. Regulation 9 requires the Council's Section 151 Officer to sign and date the statement of accounts prior to the start of the public inspection period, which must include the first 10 working days of June.
- 1.4 This means the statement of accounts must be completed by the Council's finance team and be ready for sign off by the Section 151 Officer by the 31st of May each year under existing rules. There has been some flexibility allowed over this date in recent years due to Covid, but for the last 2 financial years our draft statement of accounts have been published on our website well before the deadline. The dates being 27th May 2022 and 19th May 2023.

- 1.5 Regulation 9 requires that the Council approve and publish on our website the audited statement of accounts, no later than 31 July in the relevant financial year, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).
- 1.6 This deadline was extended to the 30th of September due to Covid and in recent years this has been extended further to the 30th of November. Before Covid we published our audited statement of accounts on our website before the 31st of July deadline each year. The accounts since for 2019/20, 2020/21 and 2021/22 were all published before the deadline, the finance team always work really hard to meet this deadline, but this can only be achieved if the auditors are available to carry out the audit on our financial statements.
- 1.7 Members may be aware that there has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the Covid pandemic, leading to a persistent and significant backlog of audit opinions. As of the 31st of December 2023, the backlog of outstanding audit opinions stood at 771, with some audits dating back to 2015/16. Only 1% of English Councils were in a position to publish their audited accounts by the 30th of September 2023 deadline, this was 5 out of the 467 total. By mid-January this had increased to 10% according to commentators.
- 1.8 The opinion on our statement of accounts for the year 2022/23 is outstanding at the date of writing this report (14th February). Mazars our auditors are waiting for the audit of the Derbyshire pension fund to be completed before they can be sure our statement of accounts doesn't need to change to reflect any changes made to the pension fund accounts by their auditors.
- 1.9 Since Spring of 2023, the Department for Levelling Up, Housing and Communities (DLUHC), has been working with the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), the Public Sector Audit Appointments (PSAA) and a number of audit firms with responsibility for local audits, on a cross-system proposal to clear the backlog of audits and put the local audit system on a sustainable footing.
- 1.10 Attached at **Appendix 1** is a joint statement, published on the 8th of February 2024 as an update to proposals to clear the backlog and embed timely audit. Published alongside this is the consultation, which is attached at **Appendix 2**, giving details on how the local audit backlog issue is proposed to be resolved. The Council's Section 151 Officer submitted a response to the consultation directly on the government's portal on the 13th of February 2024.
- 1.11 The proposals are given in detail at **Appendix 1**, but they can be summarised as follows:
 - **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by the 30th of September 2024.

- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

1.12 **Phase 1** involves changing some of the existing legislation. The current duty, set out in legislation for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed. We have this notice published on our website for our outstanding 2022/23 statement of accounts.

1.13 The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published. Our unaudited accounts have already been published but we are reliant on Mazars concluding our 2022/23 audit as mentioned in 1.8 above. Our accounts for last year should be finalised before the 30th of September backstop date, but there is a possibility our auditor won't achieve this, and our name could therefore appear on the list.

1.14 **Phase 2** will again involve changing legislation and the delay notice requirement will be removed as in Phase 1. In addition to the proposal for a backstop date of 30th September 2024 in Phase 1, the government is also proposing additional backstop dates of:

Accounts for year ended	Audited accounts must be approved by
31/3/24	31 May 2025
31/3/25	31 March 2026
31/3/26	31 January 2027
31/3/27	30 November 2027
31/3/28	30 November 2028

1.15 Our finance team will be aiming to publish the unaudited accounts by the 31st of May in each year as they do now and will be dependent on the auditors being able to complete the audit by the above dates.

1.16 Regarding the Value for Money (VFM) requirement on the auditors, it is proposed that the Auditors' Annual Report will be issued in draft to those charged with governance (our Audit Committee) by 30th of November each year, irrespective of the position on the audit. We have not yet received this report for the 2022/23 financial year.

1.17 The changes to the dates mentioned in 1.14, will mean the unaudited statement of accounts for 2024/25 due to be published on 31/5/25 as usual, will have the same deadline date as the backstop date for the 2023/24 audited accounts. It is hoped that the auditors will manage to carry out the 2023/24 audit and provide the audited

accounts before this deadline, thus preventing the finance team being overloaded at this already incredibly busy time.

1.18 A further change in support of both Phase 1 and 2 is a commitment by the FRC who are developing an escalated reporting framework. It is intended that the framework will be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates, and/or emerging systemic issues ahead of backstop dates, to enable them and system partners to take appropriate action as early as possible.

1.19 **Phase 3** will require work to address the systemic challenges that have led to the current local audit backlog. This work will build on the recommendations of the Redmond Review and all parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

2. Reasons for Recommendation

2.1 To update the Audit Committee on the local audit delays, the joint statement on update to the proposals to clear the backlog and embed timely audit and the consultation document published on the 8th of February 2024.

3 Alternative Options and Reasons for Rejection

3.1 There are no alternative options for consideration, this report is for information.

RECOMMENDATION(S)

1. That the Committee notes the report.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Resources

IMPLICATIONS.

Finance and Risk: Yes No

Details:

There are no financial implications arising from this report.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The Council has to prepare a statement of accounts in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.

The audit of those accounts is undertaken in accordance with the statutory

framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014 for England.

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report.

Staffing: Yes No

Details:

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No

District Wards Significantly Affected	All
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details:

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION

Appendix No	Title

1	Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit
2	Addressing the local audit backlog in England: Consultation

Background Papers

<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>
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None
