

WEST NORTHAMPTONSHIRE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

21 November 2023

Update on Financial Statements

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Contributors/Checkers/Approvers

West MO	Cath Whitehead	20/11/2023
West S151	Martin Henry	20/11/2023

List of Appendices

None

1. Purpose of Report

- 1.1 The purpose of this report is to provide recommendations on how to proceed with producing 21/22, 22/23 and 23/24 Statement of Accounts for WNC and their subsequent audit.

2. Executive Summary

- 2.1 The report sets out the issues and constraints surrounding the production of WNC's Statement of Accounts for the financial years 21/22, 22/23 and 23/24 and their associated audits. It details the national proposals by Government for dealing with the backlog of unaudited accounts.

3. Recommendations

- 3.1 It is recommended that the Committee:

a) Cease the 2021/22 audit in advance of the Government announcement.

4. Reason for Recommendations

- 4.1 The recommendation is necessary for work to continue to finalise the 21/22 Statement of Account and produce the 22/23 Statement of Account by Feb/Mar 2024. The accounts will still be produced but they will not be audited. This will put the authority in the best position to complete the 23/24 Statement of Account within the statutory deadlines.

5. Report Background

- 5.1 Local government bodies are required to publish accounts with an auditor's certificate or opinion by 30 September or to explain the reasons for non-publication. Nationally, at the publishing date of 30 September 2023, only 5 out of 467 local government bodies' 2022/23 audit opinions have been given. This adds to the 456 that are outstanding from previous years. This brings the cumulative position to 918 of delayed audit opinions.
- 5.2 WNC currently has 2021/22 and 2022/23 Statement of Accounts outstanding, which are included in the total position of 918 above. The delay has been brought about due to the number of legacy Statement of Accounts that were outstanding as at vesting day 1st April 2021 and because the opening balances for WNC need to be agreed. These opening balances cannot be agreed until all the previous accounts have been audited and opening balances for the two new authorities that were created also agreed.
- 5.3 Just one week before vesting day there were ten sets of accounts outstanding, all of which have now been concluded (subject to the approval of the final 20/21 NCC Statements presented elsewhere on tonight's agenda are approved) It was not possible to commence with WNC's statements until this work was largely concluded due to the closing balances of the predecessor authorities becoming the opening balances of WNC and NNC.
- 5.4 Given the backlog of unaudited accounts across the Country, the National Audit Office (NAO) and DLUHC intend to set a statutory deadline for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present of 31 March 2024. This is subject to approval by the Minister (previously Lee Rowley, now Stephen Hoare), consultation and passing of the legislation. The Audit Code of Practice will also need to be altered to require auditors to issue an opinion by this date. While there is some work to be done to prepare the legislation and alter the Audit Code, it is believed that this date will not change and that the necessary guidance and legislation will be in place by 31 December 2023.
- 5.5 It is expected that all account audits (up to and including 2022/23) not completed prior to or on 31 March 2024 under the normal procedures will be subject to the 31 March 2024 backstop and a disclaimed audit opinion will need to be issued by this date.
- 5.6 This deadline will result in qualifications and disclaimers of opinion in the short term for many local authorities, including WNC. Government believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits.
- 5.7 Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Government is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore

consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays.

6. Issues and Choices

Preparation of Financial Statements

- 6.1 If the backstop is implemented it will not be possible to produce both the 2021/22 and the 2022/23 Statements and have them audited by 31 March 2024.
- 6.2 We will still need to prepare accounts for 2021/22 and 2022/23 by 29 February 2024 to allow sufficient time to review the accounts and have a disclaimed opinion issued by 31 March 2024.
- 6.3 To meet these extremely tight timescales we would need to cease the 2021/22 audit to be able to progress with producing the 2022/23 Statement and then begin to concentrate on the smooth closure and audit of 2023-24 accounts

Opening Balances Audit

- 6.4 Assuming our 2022/23 accounts will be disclaimed our auditors will be required by auditing standards to undertake an opening balances audit for 2023/24.

Conclusions

- 6.5 The proposed backstop date is subject to approval by the Minister (previously Lee Rowley, now Stephen Hoare), consultation and passing of the legislation. It may be that the proposal does not pass into legislation.
- 6.6 It is not possible to audit both our 2021/22 and 2022/23 accounts by 31 March 2024, given that 2022/23 haven't been produced and the 2021/22 audit is only partially complete. It would be better use of officers if the audit activity for 2021-22 was brought to a close so we can concentrate on preparing the accounts for 2022-23 and then focus on preparing the accounts for 2023-24 which would then be subject to a full external audit.
- 6.7 Given the high level of uncertainty the decision to cease the 2021/22 audit is based on a risk assessment that it is more likely the backstop will be introduced than not. It would give us the capacity to produce a 2022/23 Statement that would allow for the opening balances of 2023/24 to be audited.
- 6.8 Officers have been in several discussions with our external auditor over this matter who does not object to the approach being proposed. Our external auditor has set his view out in a letter to officers.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 If the 2021/22 audit is not ceased the team will not have the capacity to produce a 2022/23 Statement that then impacts on the timely production of the 2023/24 Statements. The fee for the partial completion of the 2021/22 audit, the audit work involved in issuing a Disclaimer and the additional burden of auditing the 2023/24 opening balance will need to be agreed/negotiated with Public Sector Auditor Appointments (PSAA), Grant Thornton and WNC.

7.2 Legal implications

7.2.1 Legislation will need to be laid before Parliament to enable the legal provisions to be made which would impose a backstop date as set out in the report. The Council will need to comply with any new legislation when it is in force.

7.3 Risk

7.3.1 Having our Statement of Accounts disclaimed may well result in reputational damage but it is recognised that this is a national issue and that WNC had a number of well documented legacy issues to overcome before work could commence on producing statements for WNC.

7.4 Consultation

7.4.1 We have consulted with our external auditor over this approach who does not object to the proposal.

7.5 Consideration by Overview and Scrutiny

7.5.1 No overview and scrutiny comments

7.6 Climate Impact

7.6.1 There are no direct climate or environmental implications

7.7 Community Impact

7.7.1 There is no community impact.

7.8 Communications

7.8.1 There are no recommended communications.

8. Background Papers

8.1 None

