

Wiltshire Council

Audit and Governance Committee

23 July 2024

Subject: Accounts and Audits Backlog Update

Executive Summary

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

Nationally Local Government has experienced significant delays in the publication of approved, audited accounts. Sector representatives and stakeholders have been debating approaches to clear this national backlog and the Audit & Governance Committee have been updated many times on the council's outstanding accounts and the proposed cross-system approach of implementing statutory backstop dates to manage the significant national backlog of audit opinions.

Proposal(s)

It is recommended that the Audit & Governance Committee note the content of this report.

Reason for Proposal(s)

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

The council has several financial years Accounts and Audit processes that remain outstanding. Formal consultations were issued earlier in the year however there has been no formal confirmation to the sector of the final proposal for clearing the backlog. On 22 May the Prime Minister announced a general election on 4 July which has seen further delay to any announcement on the consultations and regulatory changes that are required so that 'backstop dates' provide a defined process for conclusion to the outstanding accounts and national backlogs. In light of the general election announcement and the impact on progress of regulatory changes on 3 July CIPFA announced that they have decided not to implement an exceptional update for the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 and will focus efforts on longer-term enhancements to the Code and other initiatives. This brings further uncertainty to the outstanding Accounts and Audit processes for the council.

Andy Brown

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Lizzie Watkin

Director of Finance & Procurement (S151 Officer)

Perry Holmes

Director of Legal & Governance (Monitoring Officer)

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Subject: Accounts and Audits Backlog Update

Purpose of Report

1. This report presents an update to the previously reported cross-system approach of implementing statutory 'backstop' dates to manage the significant national backlog of audit opinions and the impact this has on the council.

Relevance to the Council's Business Plan

2. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

Background

3. The Audit and Governance Committee have received regular reports that set out the delays the council has faced in concluding the outstanding accounts, that include the final publication of the approved 2019/20 accounts, the accounts for 2020/21 - 2022/23 and the latest 2023/24 accounts that had a publication date for draft accounts of 31 May 2024. As the committee are aware that the draft accounts for 2020/21 have been published and it is anticipated that the 2021/22 draft accounts will be published by the beginning of July.
4. The delays the council has faced are not unique and at the beginning of June only 41% of councils met the 31 May deadline for the 2023/24 draft accounts publication. The council continues to work with the External Auditor to progress all outstanding accounts and audit processes.
5. Consultations were issued in February 2024 by the National Audit Office, the Department for Levelling Up, Housing and Communities and CIPFA on the proposed approach for implementation of backstop dates however the results have not been reported back to the sector yet and it is not clear the extent of the regulatory changes required to allow conclusion of the outstanding accounts and the implications for the council at this stage.
6. On 22 May the Prime Minister announced a general election was to take place on 4 July. The results of the consultations had not been announced prior to this announcement, nor had the required legislative changes been agreed and implemented and it is therefore expected that a further delay to the implementation of such changes will be experienced. This is considered to put significant risk to the anticipated date of 30 September 2024 for the backstop date and this is now likely to be delayed.

7. The sector has been informally advised that implementing regulatory changes to manage the national backlog of accounts remains a priority for the government and it is hoped that the legislative changes are implemented promptly following the general election.
8. In light of the general election announcement and the impact on progress of regulatory changes, on 3 July CIPFA announced that they have decided not to implement an exceptional update for the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 and will focus efforts on longer-term enhancements to the Code and other initiatives. This brings further uncertainty to the outstanding Accounts and Audit processes for the council and it is not clear what impact any audit that uses the 'backstop' regulations (once implemented) will have on the subsequent outstanding accounts for the financial years 2023/24 onwards.
9. The Director of Finance & Procurement (S151 Officer) will ensure this committee is kept up to date with progress and the implications for the council for the outstanding accounts and audit processes and approval requirements by this committee.

Overview and Scrutiny Engagement

10. No overview and scrutiny engagement has taken place due to the statutory nature of the Statement of Accounts and Audit process. Those charged with governance are responsible for the review and approval of all matters concerning the annual accounts and responsible for the approval of the accounts.

Safeguarding Implications

11. There are no safeguarding implications associated with this report.

Public Health Implications

12. There are no public health implications associated with this report.

Procurement Implications

13. There are no procurement implications associated with this report.

Equalities Impact of the Proposal

14. There are no equalities impacts arising from this report.

Environmental and Climate Change Considerations

15. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

16. The annual Statement of Accounts are required to be approved and published by the deadlines set out in regulation or as soon as reasonably practicable after the receipt of the external auditor's final findings report. The current statutory deadlines for publishing audited accounts in respect of the council's outstanding accounts are:

- 2019/20 accounts - 30 November 2020;
- 2020/21 accounts - 30 September 2021;
- 2021/22 accounts - 30 November 2022;
- 2022/23 accounts - 30 September 2023; and
- 2023/24 accounts – 30 September 2024

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

17. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

18. It is expected that the outstanding accounts will progress and reports be presented to this committee, and the council will meet new regulatory requirements to meet the 'backstop dates' when these are confirmed which is expected sometime following the general election.

Financial Implications

19. The sub-standard original draft accounts for 2019/20 and prolonged external audit process has exposed the council to significant costs associated with the use of specialist, experienced agency staff to manage correcting the errors and misstatements and the continued and repetitive audit queries and process. The continued audit processes will result in additional audit fees that will be determined through the PSAA contractual arrangements and arbitration.

20. It is expected that there will be minimal audit process on 3 outstanding accounts for the financial years 2020/21-2022/23 and the council will liaise with the PSAA to agree the scale of fee reduction for those years.

Legal Implications

21. Regulation sets out the publication requirements for local authority accounts and the council is unable to meet these requirements due to the on-going issues. Notices are published on the council's website giving detail of the late publication for the outstanding accounts.

22. As soon is practicable the council will publish the remaining Statement of Accounts that are overdue and will allow inspection of those accounts through public inspection periods that are consecutive, so that they are in line with the statutory requirement to allow public access and scrutiny. Notifications of these accounts' publications and public inspection periods will be available on the council's website.

Workforce Implications

23. Additional in-house and external resource has been and continues to be committed to the work to conclude the outstanding accounts.

Options Considered

24. Accounts are concluded in line with guidance and regulation set by Government and other regulators. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. There are no other options to consider.

Conclusions

25. It is recommended that Audit and Governance Committee note the contents of this report and the likely delay in backstop dates and therefore the delay in the conclusion of the outstanding accounts.

Andy Brown

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Appendices

None

Background Papers

Audit & Governance Committee – 25 July 2023 – Accounts and Audit Update report [Agenda for Audit and Governance Committee on Tuesday 25 July 2023, 2.30 pm | Wiltshire Council](#)