

APPENDIX A - Subject: Accounts and Audit backlog statement - Briefing Note July 2023

Wiltshire Council

Audit & Governance Committee

July 2023

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Purpose of Report

To keep the Audit & Governance Committee abreast of the ongoing cross-system work and the statement released from Lee Rowley MP (Parliamentary Under-Secretary of State for Local Government and Building Safety), associated with the significant national backlog of audit opinions.

Background

1. Following Sir Tony Redmond's Independent *Review of local financial reporting and audit* DLUHC implemented a range of measures to improve timeliness and the wider audit system. In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays. These measures have not had the intended impact and significant issues and delays are still seen in the system nationally.
2. As the committee are aware there are significant delays in the accounts and audit processes for Wiltshire Council, with the 2019/20 Accounts still not approved. The position of significant delay in accounts and audit processes is seen across many councils nationally with only 27% of 2021/22 complete and approximately 520 opinions outstanding dating back to 2015/16.
3. This position is clearly unacceptable and there is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Auditors, Section 151 Officers, regulators, government departments and other key stakeholders have been working together to find a solution to reset the system. A statement has been issued by Lee Rowley MP that sets out a summary of the suggested actions that are being considered. The following paragraphs contain a summary of the main topics raised in the statement.
4. The National Audit Office (NAO) and DLUHC intend in issuing a series of statutory deadlines for account preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present.

5. Deadlines set may result in qualifications and disclaimers of opinion in the short term for a number of councils. Further detailed work is required to identify and mitigate unintended consequences of these measures. Where a disclaimer of opinion is issued there will be a need to audit opening balances of the subsequent set of accounts.
6. Government is seeking to ensure that the work to clear the backlog takes place in a limited window of time.
7. Auditors' statutory duty to report on Value for Money (VFM) and other powers remain a high priority.
8. The NAO are considering the development of a replacement Code of Audit Practice to give effect the changes.
9. DLUHC are considering whether legislative change is needed to mirror proposed changes in the Code of Audit Practice and to address knock-on effects, such as the impact on opening balances.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) will issue guidance to support accounts preparers to follow amended regulations and the amended statutory deadlines. CIPFA will also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
11. The Financial Reporting Council (FRC) will be required to publish guidance on its regulatory approach to Major Local Audits (MLAs), which cover the audits for councils and would work with the NAO on the development of guidance to assist with the application of standards for these audits, including the need to meet the statutory dates.
12. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year.

Next Steps

13. As can be seen in the above paragraphs significant amount of work is required to change the regulatory environment for the proposals to be enacted and have an impact. DLUHC will continue to engage with Section 151 Officers and the wider sector over the summer as proposals are further developed.
14. Section 151 Officers will be expected to work with their Audit & Governance committees to ensure approval of the accounts work and any backlog can be managed effectively.
15. For the council this will potentially include the 4 sets of accounts that remain outstanding (2019/20-2022/23), and work will be required to deliver to the statutory dates and to ensure accounts are approved to allow for audit

opinions to be issued. What is not clear at this stage is what the new statutory dates will be nor is it clear which accounts will be affected. It is also not clear on which accounts will not be affected by the statutory dates and become the accounts which will be published and audited in the usual way, with no disclaimer opinion.

16. Officers will need to continue to work with the current external auditors, Deloitte to ensure we deliver to any new requirements set out and to effectively support the transfer of work and hand-over to the new auditors, Grant Thornton, who will audit the 2023/24 Statement of Accounts.
17. Longer term change is required to address the underlying issues and challenges to prevent a recurrence of backlogs in the future. This will include addressing workforce issues and ensuring proportionate financial reporting requirements, auditing and regulatory requirements are in place. As further updates are received officers will assess the impact and further briefings and reports will be presented to the committee.

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