

## AUDIT COMMITTEE REPORT

REPORT TO:	Audit Committee		
DATE:	20 <sup>th</sup> January 2025		
TITLE:	Statement of Accounts & Annual Governance Statements 2023/24		
TYPE OF REPORT:	For Approval		
PORTFOLIO(S):	All		
REPORT AUTHOR:	Michelle Drewery, Assistant Director Resource & Section 151 Officer		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

### **REPORT SUMMARY/COVER PAGE**

PURPOSE OF REPORT/SUMMARY:
<p>This report seeks to provide the Committee with details on the process needed to meet the Governments next backstop date for those outstanding audits relating to financial year 2023/24 which are legislated to be completed by 28 February 2025.</p> <p>EY are expected to be issuing a disclaimed opinion for the financial statements for 2023/24 along the same lines as they have issued for the previous 3 financial years (2020/21 to 2022/23). However, EY are currently undertaking the work required before they can issue a completion report. The draft Annual Governance Statements for 2023/24 will also need to be finalised alongside the Statement of Accounts.</p>
KEY ISSUES:
<p>EY have indicated that the issues will be similar to those reported in the previous Completion Report presented to Audit Committee by EY. There is also the need to ensure we comply with the statutory backstop date of 28 February 2025.</p>
OPTIONS CONSIDERED:
<i>Not applicable</i>
RECOMMENDATIONS:
<p>The Audit Committee are requested to</p> <ol style="list-style-type: none"> <li>1. Delegate authority to the Chair of this committee and the S151 Officer to approve the Statement of Accounts for 2023/2024 when EY have completed their work and subject to sharing the audit completion report with members of the committee beforehand.</li> </ol>

2. Approve the final Annual Governance Statements for 2023/2024.

3. Note the Local Audit Strategy Consultation currently underway.

**REASONS FOR RECOMMENDATIONS:**

To comply with the backstop date of 28 February 2025 to have all outstanding audits completed for the financial year 2023/2024.

## **1. Background**

1.1. Members of the Audit Committee have been made aware of the delays that exist nationally and locally with external audit. The former Department for Levelling Up, Housing and Communities (DLUHC), now the Ministry of Housing, Communities and Local Government (MHCLG) has worked collaboratively with the Financial Reporting Council (FRC) and other system partners, to develop measures to address the delay in local audit. Proposals were consulted on for local bodies to publish audited accounts for all outstanding years. These proposals were then put on hold due to the General Election in 2024.

1.2. On 30 July 2024, the current government announced its intentions to pursue proposals (taking into account responses to the consultation) to address the local audit backlog. In parallel to publishing a response to consultation feedback, they have laid in Parliament regulations as well as, on behalf of the Comptroller and Auditor General and the National Audit Office (NAO), a new Code of Audit Practice. As part of this response, a new backstop date of 28 February 2025 has been established for bodies to publish audited accounts for financial year 2023/2024.

1.3. At the Audit Committee held on 18 November, members considered the Interim Value For Money (VFM) assessment provided by the Council's Auditors EY for the financial years 2020/2021 to 2022/2023. A disclaimed audit opinion and Completion Report has since been issued for all three years and published on the councils website.

1.4 The same process is being followed for the 2023/2024 assessment. EY have indicated that the issues reflected in their report will be of a similar nature to the previous Completion Report and this will be circulated to Members before final approval of the Statements of Accounts.

## **2. Introduction**

2.1. On 30 August, the Section 151 Officer received a letter from EY which set out their proposals to meet the backstop date of 13 December 2024 for the 2020/21, 2021/2022 and 2022/2023 audit of accounts. This set out the various tasks EY needed completed to enable them to issue a completion report covering these financial years and provide a disclaimed opinion on the accounts. Officers will be undertaking the process again to comply with requirements for a disclaimed opinion for the accounts relating to 2023/24. These tasks include:

- 2.1.1. The authority is to consider the need to update and approve any open Annual Governance Statements (AGS) in line with CIPFA bulletin 16.
- 2.1.2. Arrange an Audit Committee meeting, or delegate authority to the Chair of the Committee and the S151 Officer to approve the Statement of Accounts once EY have completed their work. The S151 Officer should then authorise the Statement of Accounts for issue. This is required before mid February 2025 when EY are aiming to have completed their work. The Statement of Accounts are attached at Appendix A.

### **3. Proposal**

- 3.1. CIPFA Bulletin 16 – Local audit delays and the publication of the annual governance statement, provides guidance to local authorities in England affected by local audit delays. The two key points in the guidance are:
  - 3.1.1. An open AGS for a prior period should include a statement to explain the reason for the delay and signposting to the AGS for subsequent years.
  - 3.1.2. Consideration should be given to updating a draft AGS. If a significant governance issue emerges after the year-end, the authority should consider whether it was pertinent to the prior year. The Annual Governance Statement for 2023/2024 was presented to Audit Committee on 3 October for review. Significant attention was applied to ensure these statements accurately reflected the governance arrangements for 2023/24.
- 3.2. The updated and final AGS for 2023/24 is provided in Appendix B respectively. It is proposed that this document is now approved.
- 3.3. With regards to ensuring the sign off of the 2023/2024 accounts, it is recommended that delegated authority is given to the Chair of the Audit Committee and the Section 151 Officer to be able to sign these before the 29 February 2025 deadline. Prior to this sign off, the Audit Completion report will be emailed to all members of this committee for review.

### **4. Financial Implications**

- 4.1. Fees to be charged by EY for the work in relation to Value for Money work and disclaimed opinions for the years 2020/2021, 2021/2022 and 2022/2023 as well as 2023/24 is still not known and is awaiting confirmation from Public Sector Auditor Appointments (PSAA).

### **5. Legal Implications**

- 5.1. The Local Audit and Accountability Act 2014 made the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. As part of this Act, EY have a duty to report to this Committee on the work they have carried out in respect of Borough Council of King's Lynn & West Norfolk to discharge their statutory audit responsibilities and identify any

governance issues with the audited body as per the Comptroller and Auditor General's Code of Audit Practice.

5.2 Whilst Government have introduced measures to support removing the backlog of unaudited accounts from the system, they have also now set out their intention to fix the broken system. A consultation on their intent has been published which will close on 29 January 2025. [Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK](#)

5.3 This strategy sets out the issues that have contributed to the current state of audit. It commits to a series of measures to fix the broken local audit system, including:

- a local audit vision with 8 core principles
- the establishment of a statutory and independent Local Audit Office (LAO), with 5 strategic responsibilities - coordinating the system, contract management, ownership of the Code of Audit Practice, quality oversight and reporting
- mandating audit committees

5.4 The government is also consulting on a number of specific proposals as part of this strategy, including:

- potential additional functions of the new LAO
- simplifying financial reporting requirements to ensure they are proportionate
- improvements to enhance capacity and capability in the local audit sector, such as the introduction of public provision
- strengthening the relationship between local bodies and their auditor
- reforming the audit regime

5.5 Consideration will be given to the document and how it impacts on the Councils Audit Committee, Constitution as well as policies and procedures going forward.

## **6. Risk Implications**

6.1. The work of the external auditors and subsequent reports seek to identify significant risks within the Council and highlight any areas of significant concern.

## **7. Options**

7.1. Instead of delegated authority to the Chair of the Committee and the S151 Officer to sign off the Accounts for the stated years, the alternative option is to hold an additional meeting of the Audit Committee to be held in mid February 2025. This has been discounted due to time constraints.

## **8. Recommendations**

8.1. That the Audit Committee;

- Delegate authority to the Chair of this committee and the S151 Officer to approve the Statement of Accounts for 2023/2024 when EY have completed their work and shared their audit completion report with members of the committee.

- To approve the final Annual Governance Statement for 2023/2024.

## **9. Reasons for Recommendations**

9.1. The Comptroller and Auditor General's Code of Audit Practice requires the Council's external auditors, Ernst and Young LLP (EY), to report to this Committee on the work they have carried out in respect of Borough Council of King's Lynn & West Norfolk to discharge their statutory audit responsibilities and identify any governance issues with the audited body. In order to do this before the backstop date of 28 February 2025, review and final sign off of the 2023/24 Statement of Accounts and AGS is required.

## **10. Conclusions/Next Steps**

10.1. EY will complete their work and produce a completion report, along with a disclaimed opinion on the 2023/2024 Statement of Accounts.

10.2. Delegated responsibility is being recommended for final sign off of the Accounts to meet the backstop date.

10.3. The audit completion report and the final Accounts will be presented to the next available Audit Committee.

10.4. Following the sign off of the final Statement of Accounts and AGS for the stated years, these will be published on the Council's website.