

## AUDIT COMMITTEE REPORT

|                 |   |   |    |
|-----------------|---|---|----|
| REPORT TO:      | Audit Committee   |   |    |
| DATE:           | 18 <sup>th</sup> November 2024  |   |    |
| TITLE:          | Statement of Accounts & Annual Governance Statements 2020/21 to 2022/23 |   |    |
| 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 backstop dates for those outstanding audits which are now legislated to be completed by 13 December 2024. For this authority, this will include the financial statements for years 2020/21, 2021/22 and 2022/23.</p> <p>EY will be issuing a disclaimed opinion for each of these accounts. However, there is still work that EY will need to carry out before they can issue a completion report. The completion report will cover all open years up to and including 2022/2023. The draft Annual Governance Statements for each of these years will also need to be finalised alongside the Statement of Accounts.</p> |
| KEY ISSUES:   |
| <p>The key issues have already been set out in the Interim Value for Money Assessment presented to Audit Committee by EY. There is also the need to ensure we comply with the date of 13 December 2024.</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 2020/2021, 2021/2022 and 2022/2023 when EY have completed</li> </ol>  |

their work and shared their audit completion report with members of the committee.

2. Approve the final Annual Governance Statements for 2020/2021, 2021/2022 and 2022/2023.

**REASONS FOR RECOMMENDATIONS:**

To comply with the backstop dates of 13 December 2024 to have all outstanding audits completed for years up to and including 2022/2023.

## **1. Background**

- 1.1. Members of the Audit Committee will be fully aware of the delays that currently 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, putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/2023. These proposals were then put on hold due to the General Election.
- 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 13 December 2024 has been established for bodies to publish audited accounts for financial years up-to-and-including 2022/2023.
- 1.3. A report to this Committee on 3 October 2024 considered the Interim Value For Money (VFM) assessment provided by the Council’s Auditors EY for the financial years 2020/2021 to 2022/2023.

## **2. Introduction**

- 2.1. On 30 August, the Section 151 Officer received a letter from EY (Appendix A) 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. By this date there are various tasks EY need to be completed to enable them to issue a completion report covering these financial years and provide a disclaimed opinion on the accounts. 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 29 November 2024 and when EY are hoping to have completed their work.

### **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. The following statement has now been added to the final AGS for 2021/2022 with further similar updates set out in 2022/2023:

*'The council's external auditors review the activities of the authority, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. The external audit of the 2021/22 Statement of Accounts have not been started whilst awaiting the audit of previous years' Statement of Accounts, namely 2019/20 and 2020/21. The Annual Governance Statements for each financial year will be signed off and published alongside the Statement of Accounts.'*

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 2022/2023 was prepared alongside the Annual Governance Statement for 2023/2024 and were presented to Audit Committee on 3 October for review. Significant attention was applied to ensure these statements accurately reflected the governance arrangements for those years. Some minor changes were made to statements from prior years.

3.2. The updated and final AGS for 2020/2021, 2021/2022 and 2022/2023 is provided in Appendix B, C and D respectively. It is proposed that all three documents are approved.

3.3. With regards to ensuring the sign off of the 2020/2021, 2021/2022 and 2022/2023 accounts, it is proposed 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 November 2024 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 is not yet known.

### **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.

## **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 before the 29 November 2024. 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 2020/2021, 2021/2022 and 2022/2023 when EY have completed their work and shared their audit completion report with members of the committee.
- To approve the final Annual Governance Statements for 2020/2021, 2021/2022 and 2022/2023.

## **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 13 December 2024, review and final sign off of the 2020/2021, 2021/2022 and 2022/2023 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 2020/2021, 2021/2022 and 2022/2023 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.