

Report to: Council



Date of Meeting 26th February 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

2023/24 Statement of Accounts

Report summary:

A report was presented to Council on 16th October 2024 explaining new legislation had been introduced in response to the acknowledged position that the audit regime for local authority accounts was broken with only 1% of local authority bodies having published audited accounts.

This legislation set a statutory backstop of 13 December 2024 for the publication of audited accounts for all financial years up to and including 2022/23; on the understanding this will not be possible for most cases, and these being then deemed “disclaimed” and not audited. At this point we had two years audits outstanding and had disclaimers issued for 2021/22 and 2022/23 accounts.

Future backstop dates were also set for 2023/24 accounts, this being 28th February 2025, and for further years a similar process will apply in attempt to clear the backlog situation and bring audits up to date.

The 20th February Audit and Governance Committee received a report from the Council's auditors, Grant Thornton who are issuing a disclaimer on 2023/24 Accounts. This is disappointing with details and future actions contained in this report.

In context with the national picture Public Sector Audit Appointments (PSAA) analysis shows 43.9% of local government body accounts for 2022/23 were disclaimed due to the backstop date of 13th December, while only 1.1% of audits for 2022/23 were delivered by the original publishing date. As at the 20th December 2024 PSAA were expecting the number of disclaimed opinions for 2023/24 to be similar to the level for 2022/23.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

The Audit and Governance Committee required Council to be made aware of the position with the 2023/24 Accounts

Reason for recommendation:

The Audit & Governance Committee whilst agreeing to the position of a disclaimer to the 2023/24 Accounts it considered that Council should be aware

Officer: Simon Davey, Director for Finance (S151/CFO) sdavey@eastdevon.gov.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: High Risk; Whilst this is a national issue the implications for members and the public is that the Council will not have audited accounts for 3 years and the implications going forward until the annual audit can cover all years presented.

Links to background information [Backstop report to Council 16 Oct 24.pdf](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
- ☐ Carbon neutrality and ecological recovery
- ☐ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

1. Introduction

- 1.1 The background and context relating to the national backlog in local authorities published audited accounts and the legislation introduced around audit cut off dates was covered in a report to Council on 16th October 2024, a link to the report is contained in the background information.
- 1.2 As detailed in that report this effected this Council's 2021/22 and 2022/23. Public Sector Audit Appointments (PSAA) analysis shows 43.9% of local government body accounts for 2022/23 were disclaimed due to the backstop date of 13th December, while only 1.1% of audits for 2022/23 were delivered by the original publishing date.
- 1.3 The legislation gave cut off dates going forward for 2023/24 up to 2027/28:
 - Financial year 2023/24: 28 February 2025
 - Financial year 2024/25: 27 February 2026
 - Financial year 2025/26: 31 January 2027
 - Financial year 2026/27: 30 November 2027
 - Financial year 2027/28: 30 November 2028

- 1.4 The 20th February Audit and Governance Committee received a report from the Council's auditors, Grant Thornton who have issued a disclaimer on the 2023/24 Accounts, as the audit will not be completed by the cut off date.
- 1.5 This is disappointing, the circumstances leading to this and key learning points are covered below in the report. As at the 20th December 2024 PSAA were expecting the number of disclaimed opinions for 2023/24 to be similar to the level for 2022/23, that being 43.9% of local authorities. This is not a position we wanted to be in, and we had aimed to have the audit completed by the cut off of 28th February. An unqualified audit opinion gives independent assurance to the Council and the public.

2. The 2023/24 Audit

- 2.1 The detailed audit began in October 2024. At the Audit and Governance Committee in early January Grant Thornton were reporting that only approximately 2/3 of the audit was complete and in their view the audit would not be completed before the deadline of 28th February and the intention was to issue a disclaimer. The main reason given was slow response to their audit enquiries by the Authority not allowing them to progress as planned.

- 2.2 The main audit being focussed in such a short intense period gave the Finance Team and other parts of the Council difficulty in responding as quickly as required for the audit to progress on time. The auditors had resources allocated for this period, to complete the audit prior to Christmas and anything beyond that being a risk with their resources scheduled elsewhere. For the Finance Team there were particular issues, part known in advance, but part out of our control:

- The period of audit clashed with the preparation of the budget, every accountant is involved in working with services to prepare the budget, along with normal tasks, which in its self pushes the team beyond normal capacity with the requirement to work additional hours. The setting of the Budget and related Council Tax needs to take priority. The introduction of an audit cut off as created two key priorities with the same timing.
- Below the Finance Manager at the time we were carrying 3 vacancies out of team 9, one of the post being the Accountant post who would have led on the Audit.
- Although it is clear the Auditors were frustrated in the quality and timelessness of the authorities responses, in reviewing with the Team to understand how we can work better to meet audit requirements going forward there were frustrations on our side with the audit approach which need to be picked up.

- 2.3 Going forward there are some clear steps we need take:

- We created a new structure for the Finance Team with a Principal Accountant role, supported by a technical accountant with direct responsibility for the production and audit of the accounts and we need to ensure these roles are given the capacity to focus on this work. The Principal position is proving extremely difficult to fill and the search is ongoing.
- We are already working with the Auditors on the working paper requirements for 2024/25 and they have said they will load up their requests shortly for us pull together as the accounts are prepared rather than as list issued at audit.
- We need to request the audit to start earlier as we are creating an unnecessary 2.5 month window at a particularly busy time. The Auditors also have scarce resource, and this may prove a challenging conversation.

- In addition to the Auditors holding us to account we also need to hold them to account. We will insist on weekly meetings at Senior level to ascertain progress on the audit, be clear where we need to react quicker or better, but also to challenge any inaccuracies, misunderstandings or lack of knowledge from the auditors.

Financial implications:

There are no direct financial implications from the recommendations in this report. S151 Officer commentary – The introduction of backstop dates is understood in relation to Government attempting to bring local authorities accounts audits up to date. This is because of the audit regime being broken, but to bring in backstops alone does not fix the underlying issue of the Accounts being too complex, lack of local authority accountants and auditors and this remains the situation still giving a high number of local authorities not meeting the required deadlines of audited accounts. To introduce an arbitrary deadline for audits to be complete and then for them not to be completed beyond that date is a strange position and one that feels wrong. Additional internal audit resources will be requested to cover key areas of finance to give additional assurance to the Council.

Legal implications:

The legal issues are covered in the report.