

Subject:	Accounts Publication and Audit Delays	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	26 th July 2023
Report of:	Chief Finance Officer	Lead Member:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment:	Required:	No	Attached: No
Contact Officer:	Karen Spencer	Telephone:	01706 252409
Email:	karens pencer@rossendalebc.gov.uk		

1. RECOMMENDATION

1.1 Audit and Accounts Committee note the contents of the report.

2. EXECUTIVE SUMMARY

2.1 This report sets out the current position regarding the publication and audit of the council's statement of accounts and sets out the associated delivery plan. A key element of delivering the Council's financial responsibilities is to publish its annual financial statements promptly after the year end and is a key consideration in our arrangements to deliver value for money.

2.2 The report enables the Audit and Accounts Committee to exercise its role in determining whether it has sufficient assurance on the action for authorising the historic audited financial statements for issue.

3. BACKGROUND

3.1 The Audit & Accounts Committee has oversight of both internal and external audit together with all financial and governance reports, helping ensure that there are adequate arrangements in place for both internal challenge and public accountability. A major role of the committee is to review the comprehensiveness and reliability of assurances on the Council's governance and the integrity of its financial statements.

3.2 The Chief Executive Officer (CEO), Chief Finance Officer (CFO) and finance team are critical to delivering high-quality public interest financial reporting. The Council is required to publish a statement of accounts for each financial year. This includes complying with the Chartered Institute of Public Finance and Accountancy's (CIPFA) financial reporting framework, professional accounting standards, to be accountable with appropriate expert support for critical accounting judgements, estimates and ensuring through robust internal quality assurance that sufficient and appropriate evidence exists to support primary statements and disclosure notes.

3.3 The accounts are then subject to external audit. The audit process provides a key element of assurance for financial planning, budgeting and management.

3.4 The Council has encountered delays in receiving audit opinions of its annual statement of accounts for several years, due to historic legacy issues. Following a lengthy audit process, the 2017/18 audited accounts were approved by Audit and Accounts committee in July 2022. These were the last accounts to be audited by Grant Thornton LLP. The impact of the legacy

issues which arose from the 2017/18 accounts audit had to be fed through the subsequent years accounts.

- 3.5 From 2018/19 the Council's appointed external auditor is Mazars. Mazars initially began auditing the 2018/19 accounts during 2019, but paused due to the delays in completing the previous year's audits. The 2018/19 audit recommenced in February 2023.
- 3.6 Delays to the publication of audited accounts increases the risk of governance or financial issues being identified too late and hinders accountability for council spending. The Department for Levelling Up, Housing & Communities (DLUHC) along with the Financial Reporting Council (FRC) are now actively reviewing where lengthy backlogs of audits exist from both an auditor and local authority perspective. They expect audit firms and local authorities to work together to resolve this.
- 3.7 It must be noted that during 2020 the majority of the finance team left the council's employment. This was followed by two years of significant recruitment challenges where the council struggled to recruit to the vacant posts. To add to this, during 2020/21 and 2021/22 the finance team's primary focus was to deliver support to businesses and residents during the pandemic and the subsequent reporting requirements.
- 3.8 In November 2021, the Local Government Association (LGA) corporate peer review identified that in order to meet the Council's ongoing financial objectives, including closing the accounts, there was a need to increase the capacity within the finance function. The Council recognised this need and added an additional post into the finance structure. However, the aforementioned recruitment challenge remained.
- 3.9 The vacant posts within the finance team were finally filled in March 2023, however there is a lack of local government experience, in particular statutory accounting knowledge, within the team which has resulted in delays in publishing the draft accounts. The CFO has sought advice and guidance from other finance colleagues, together with ongoing support from the LGA and delivered both internal and external training and development plans for the team to build capability.
- 3.10 In addition to the challenges the Council has faced, nationally we are in an era of intervention and there are also issues in the audit sector, which are highlighted in the government's report - [Timeliness of local auditor reporting \(parliament.uk\)](https://www.parliament.uk/publications/2022/11/timeliness-of-local-auditor-reporting). This report highlights that the system of local government audit is close to breaking point and since July 2021, performance has deteriorated further. Just 12% of local audit opinions were received in time for the already extended deadline for publishing the 2021–22 accounts for local government bodies. By the end of November 2022 over 630 accounts, some dating as far back as 2015–16, had yet to be signed off by auditors. The timeliness of local auditor reporting is crucial for making decisions about budgets for local government bodies in England. But, worryingly, the Department for Levelling Up, Housing & Communities (the Department) cannot say yet whether this will get worse, or how and when it will improve

4. DETAILS

- 4.1 At the time of writing this report the Council is still to publish the 2021/22 and 2022/23 draft accounts and the accounts for 2018/19, 2019/20 and 2020/21 are still to be audited. Upon publication, the 2021/22 and 2022/23 accounts will be added to the outstanding audits list.
- 4.2 Priority has been given to publishing the draft accounts. The CFO has worked with the finance team and produced a realistic timetable for publishing the outstanding draft accounts. Based

on this timetable the 2021/22 and 2022/23 accounts will be published by 30th September 2023. It must be noted that this will have an impact on other areas of the finance workload, but at this point priority must be given to publishing the accounts.

- 4.3 The finance team has developed a workable action plan, that balances a realistic although swift timetable for publishing the outstanding draft accounts. The timetable/plan for publishing the accounts is attached at appendix A. The CFO believes that this is an achievable timeline.
- 4.4 The Council will then work with Mazars on bringing the historic audited financial statements to Audit & Accounts Committee for issue.
- 4.5 Servicing an audit is labour intensive, therefore the timeline will take into account the capacity within the finance team and their existing workload. The timeline will also take into account the auditors' ability to resource the audits with minimal impact on their other audit commitments.
- 4.6 Mazars will provide a verbal update regarding the audit timeline at the meeting.

5. RISK

All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Further staff turnover – there is a risk of further staff turnover, in this instance notice periods will be fully adhered to, and timely recruitment will be undertaken
- Lack of historical knowledge – the CFO is in touch with the previous finance manager
- Major impacts arising from accounts audit – the process for accounts preparation mitigates this risk and unlike past years there are no longer group account impacts.

6. FINANCE

It will be ensured that all statutory notices in relation to the late publication of the 2022/23 financial statements will be made before the deadline.

7. LEGAL

The Council must comply with the requirements of the Accounts and Audit Regulations 2015 as amended by The Accounts and Audit (Amendment) Regulations 2022.

8. POLICY AND EQUALITIES IMPLICATIONS

The policy implications are covered in the body of the report. There are no equality implications arising from this report.

9. REASON FOR DECISION

The Council is required to publish a statement of accounts for each financial year.

Background Papers	
Document	Place of Inspection
Timeliness of Local auditor reporting	Timeliness of local auditor reporting (parliament.uk)

