

Part A

**Report to:** Audit Committee

**Date of meeting:** Thursday, 23 November 2023

**Report author:** Chief Finance Officer

**Title:** Statement of Accounts Update

**1.0 Summary**

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23. It also provides an outline of the expected process for the external audit of the 2023/24 accounts.

**2.0 Risks**

2.1

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
The Council's Statement of Accounts are not approved and audited within the statutory timeframe	Failure to comply with statutory timeline impacts on audit opinion	Proactive liaison with the external audit team	Tolerate	(2*4)8

**3.0 Recommendations**

3.1 To note the update in relation to the 2021/22 and 2022/23 external audits.

3.2 To note the progress in relation to onboarding the new external auditors for 2023/24.

**Further information:**

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**Report approved by:**

Hannah Doney, Chief Finance Officer

**4.0 Detailed proposal**

**4.1 Statement of Accounts 2020/21**

4.1.1 The audit team and Officers are working to close down the final lines of enquiry in order to conclude the audit as swiftly as possible. A further oral update will be provided to the Committee at the meeting.

**4.2 External Audit of the Statement of Accounts 2021/22 and 2022/23**

4.2.1 The Public Sector Audit Appointments Ltd (PSAA) reported on 10 October 2023 that only 5 out of 467 local government bodies' 2022/23 audit opinion had been given by the statutory deadline of 30 September 2023. This takes the cumulative total for the backlog of outstanding audits to 914 across the sector with the majority of councils having outstanding audits for 2021/22 and 2022/23.

4.2.2 In a press release the chair of the PSAA, Steve Freer said,

*The scale of the backlog of local audit opinions is becoming more and more serious. It is now very clear that an extraordinary intervention of some sort is urgently required to put the system back on track. Hopefully, current work to develop a solution can be concluded quickly, enabling details of the planned solution to be announced and implemented as soon as possible.*

*An important strand of any solution must be to address the root causes of so many delayed opinions so that following its implementation the delivery of timely opinions is firmly and permanently re-established.'*

4.2.3 In July, the Minister for Local Government (Lee Rowley) wrote to Councils and audit firms setting out the options being explored to address the backlog. The letter is included at Appendix 1. This included setting a backstop date for the completion of outstanding audits and a mechanism for qualifications or disclaimers of opinions where these could not be met with implementation of these proposals by December 2023.

4.2.4 It is understood that a proposed solution will be consulted on during November. Without clarity on this solution, it is not possible to set out the approach to or timeline for the 2021/22 and 2022/23 audits. The solution may result in the audits not being completed if the backstop date is set at 31 March 2024.

### 4.3 **Statement of Accounts and External Audit 2023/24**

- 4.3.1 Officers are in the process of on boarding the new auditors and walkthroughs have taken place during the end of October and beginning of November.
- 4.3.2 We have been able to facilitate this alongside the progress on the 2020/21 audit as the majority of these early enquiries do not require input from the Officers directly involved in responding to current audit queries. Onboarding has included engagement with ICT, Internal Audit and the Monitoring Officer.
- 4.3.3 The draft audit plan for 2023/24 is elsewhere on the agenda. An interim audit covering transactions during the first ten months of the financial year will take place in February and March ahead of the main audit in the summer.

### 4.4 **Audit Fees**

- 4.4.1 The Financial Monitoring Report includes a reported overspend of £0.148m in relation to external audit fees. The Council has now received the final invoice from the external auditors for the 2019/20 audits of the main statement of accounts and housing benefits audits. The fee for the main audit is set by the PSAA for all authorities who opt into the national procurement. This is known as the 'scale fee.' The PSAA also oversee requests for additional fees over and above the scale fee. The scale fee due to the external auditors for 2019/20 was £0.040m. A fee variation proposal was submitted to the PSAA by the external auditors for an additional £0.168m. After consideration of the proposal, the PSAA have agreed a variation of £0.119m taking the total fee to £0.159m for the main audit.
- 4.4.2 The scale fees for 2020/21, 2021/22 and 2022/23 were also set at £0.040m.
- 4.4.3 The [Redmond review](#) (Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting undertaken by Sir Tony Redmond and published in September 2020) highlighted the level of audit fees as one of the key barriers to resilience, quality, skills and training within the external audit sector and specifically recommended that 'the current fee structure for local audit to be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.'
- 4.4.4 Following the recent national procurement exercise, the PSAA have recently consulted on the scale fee for 2023/24 onwards. The full consultation is included at Appendix 2. The proposal sets out a 151% increase to the core scale fee plus adjustments for additional work undertaken as a result of changes to audit standards. This is likely to result in an increase of around £0.160m per year.

4.4.5 The final 2023/24 fee scale and the PSAA's consultation response will be published by Thursday 30 November 2023. The increase in scale fee will be built into the Council's Medium Term Financial Strategy through the budget setting process. The increase in costs is recognised as a cost pressure by DLUCH however, at this stage no new burdens funding has been confirmed.

## 5.0 Implications

### 5.1 Financial

5.1.1 The Chief Finance Officer comments that the additional audit fees for 2019/20 are included in the Council's in year monitoring position and ongoing additional costs will be factored into the Council's budget setting process.

### 5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that there are no direct legal implications arising from this report.

### 5.3 Equalities, Human Rights and Data Protection

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

Having had regard to the council's obligations under s149, it is considered that there are no equalities or human rights implications.

### 5.4 Staffing

5.4.1 There are no staffing implications arising from this report.

### 5.5 Accommodation

5.5.1 There are no accommodation implications arising from this report.

### 5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety/crime and disorder implications arising from this report.

## 5.7 **Sustainability**

5.7.1 There are no sustainability implications arising from this report.

## **Appendices**

Appendix 1 – Letter from Minister for Local Government to Councils and Audit firms

Appendix 2 – PSAA Consultation on the 2023/24 audit fee scale

## **Background Papers**

Statement of Accounts Update report to Audit Committee 26 July 2023