

SIGNING OFF OF ACCOUNTS: PRIOR AND CURRENT YEARS

Executive Summary

At previous meetings, the Committee has been made aware of the position regarding the outstanding audits of the Council's financial statements. The Council's last audited financial statements, audited by BDO, were for the financial year 2018/19.

For the financial year 2023/24, the Council's financial statements will be audited by the newly appointed external auditors, Grant Thornton ("GT"). BDO remain responsible for external audits for the financial years 2019/20, 2020/21, 2021/22, and 2022/23.

As part of the transition from BDO to GT, BDO have agreed to work with the Council to conclude all outstanding audits by the end of March 2024. This is subject to a suitable statutory framework being established by the National Audit Office (NAO) and Department for Levelling Up, Housing and Communities (DLUHC) that will enable local auditors to issue a disclaimed opinion on financial statements where the audit has not started, or a modified opinion where that audit is in progress but has not concluded. GT will commence work on their audit, specifically opening and closing balances, in January 2024.

This approach is aligned to expected announcements from the National Audit Office (NAO) and the Department for Levelling Up, Housing and Communities (DLUHC), where it is expected that they will announce a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed local authority audits. In the absence of the confirmation of when it is expected the outstanding audits will need to be completed, the Council and Auditors have agreed to work to a March 2024 deadline. This may need to be revisited when the national dates are confirmed.

Recommendations

The Committee is requested to:

NOTE and PROVIDE ANY COMMENTS on

- (ii) the approach outlined in this report – where there is agreement for BDO to conclude all outstanding audits by the end of March 2024, subject to the caveat's noted around a suitable statutory framework being established; and
- (iii) GT will commence their external audit work in January 2024;

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers:	None.
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Signing Off of Accounts: Prior and Current Years

1.0 Introduction and background

- 1.1 The external auditor is required to carry out an in-depth examination of the annual statement of accounts and certify that it represents a 'true and fair' view of the financial position of the organisation. If an auditor finds material errors in the accounts or views them as misleading, they can 'qualify' them, which means that they publicly report on why accounts do not give a true and fair view.
- 1.2 In a local authority context, external audit is also very important in ensuring proper stewardship of public money; therefore, in councils, external auditors look not only at the financial statements but also at the financial aspects of how a council is managed. The external auditor must satisfy themselves that the accounts are prepared in accordance with regulations and accounting rules and that the council made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors may report on their work to the general public and other key stakeholders.
- 1.3 In many local authorities across the country, there has been significant delays to these audits for a variety of reasons.
- 1.4 This report summarises the agreed approach between Woking Borough Council ("WBC" or "the Council") and its incoming (GT) and outgoing (BDO) external auditors, to clear the backlog of delayed audits, and make progress with their handover.

2.0 The agreed approach, MRP, and group companies

- 2.1 At a meeting held on 1st November 2023 between the S151 officer, lead finance commissioner, the BDO representative, and the GT representative, the following was agreed:
 - I. The needed adjustments in the Council's financial statements – namely items to do with Minimum Revenue Provision (MRP) - will be applied to the financial statements for the financial year 2023/24. BDO have previously reported that they have needed this confirmation to make progress to conclude the audits. The Council has now clarified its position on this matter to BDO.
 - II. BDO will work with the Council to conclude all outstanding audits (for the years 2019/20 - 2022/23) by 31st March 24. This is subject to a suitable statutory framework being established by the NAO and DLUHC that will enable local auditors to issue a disclaimed opinion on financial statements where the audit has not started, or a modified opinion where that audit is in progress but has not concluded. This is seen as a necessary step to progress the situation regarding the backlog of delayed audits. In the absence of the confirmation of when it is expected the outstanding audits will need to be completed, the Council and Auditors have agreed to work to an end of March 2024 deadline. This may need to be revisited when the national dates are confirmed. This is a position many Local Authorities will be in, due to the extent of the backlog.
 - III. GT will commence their work in January 2024, ahead of closure of accounts for the year ending March 2024. This will support the shared aim between the Council and GT of completing the audit for the 2023/24 financial year by the end of 2024. There is not anticipated to be a need for a file review at handover, to get assurances over opening balances, from BDO to GT as BDO will not have undertaken an audit of the 2022/23 financial year.

3.0 Work undertaken by the Department for Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO)

- 3.1 In July 2023, the Council received a letter from Lee Rowley MP, Parliamentary Under-Secretary of State for Local Government and Building Safety. The letter was regarding the backlog of local authority external audits.
- 3.2 This letter was followed up with a webinar by the Department for Levelling Up, Housing and Communities (DLUHC) on 1st August 2023.
- 3.3 The letter and statement make initial proposals for making progress on the backlog of audits. These proposals followed months of meetings with auditors and the Financial Reporting Council (FRC).
- 3.4 At the heart of the proposal, is that the National Audit Office (NAO) and DLUHC will set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over.
- 3.5 The deadlines might mean that, for a number of local authorities, there will be unexpected qualifications and disclaimers of opinion. The government feels these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits.
- 3.6 Changes are being explored for both the code of audit and the code of practice for local authority accounting, and these discussions are ongoing, as at November 2023, with no resolution as of yet.
- 3.7 The outcome of all this work, consulting with local authorities and other stakeholders over the summer, is expected to be announced shortly.

REPORT ENDS