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| Council name                | COTSWOLD DISTRICT COUNCIL   |
| Name and date of Committee  | AUDIT COMMITTEE – 26 JANUARY 2023   |
| Subject                     | 2021/22 STATEMENT OF ACCOUNTS AND AUDIT OPINION - UPDATE  |
| Wards affected              | All   |
| Accountable member          | CLlr Mike Evemy, Deputy Leader and Cabinet Member for Finance<br>Email: <a href="mailto:mike.evemy@cotswold.gov.uk">mike.evemy@cotswold.gov.uk</a>  |
| Accountable officer         | David Stanley, Deputy Chief Executive and Section 151 Officer<br>Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>  |
| Summary/Purpose             | The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2021/22 and provision of the audit opinion. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.                                   |
| Annexes                     | None  |
| Recommendation(s)           | <i>i) Note the Statement of Accounts Update Report</i><br><i>ii) Note the indicative timetable for approval of the 2021/22 Statement of Accounts and receiving the Audit opinion.</i><br><i>iii) Note the outcome from the PSAA tender exercise and the appointment of Bishop Fleming for a 5-year period commencing for the 2023/24 audit year</i> |
| Corporate priorities        | <ul style="list-style-type: none"><li>• Delivering our services to the highest standards</li></ul>  |
| Key Decision                | NO  |
| Exempt                      | NO  |
| Consultees/<br>Consultation | N/A   |



## 1 BACKGROUND

- 1.1 This report updates members on the status of the 2021/22 Statement of Accounts and Audit Opinion.

## 2 INTRODUCTION

- 2.1 Owing to the impact of Covid-19 deadlines and the wider public audit issues; completion and publication of the Local Authority Statement of Accounts since 2019/20 have been amended with more time being given to complete draft accounts and receive the audit opinion.
- 2.2 However, local audit performance has continued to be concerning, as shown in the table below

| Year of Accounts | Publishing Date   | Opinions given at publishing date |
|------------------|-------------------|-----------------------------------|
| 2020/21          | 30 September 2021 | 9%                                |
| 2019/20          | 30 November 2020  | 45%                               |
| 2018/19          | 31 July 2019      | 57%                               |

- 2.3 The table below sets out the changes made to the deadlines, as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2022 which came into force on 22 July 2022.

| Action                    | Deadline as set out in Accounts and Audit Regulations 2015   | For Financial Year 2021/22   | For Financial Years 2022/23 to 2027/28   |
|---------------------------|--|--|--|
| Draft Accounts completion | 31 May   | 31 July  | 31 May   |
| Public Inspection period  | First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates | First 10 working days of August of the financial year immediately following the end of the financial year to which the statement relates | First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates |
| Publication of Accounts   | 31 July  | 30 November  | 30 September   |

- 2.4 For audit years from 2022/23, the deadlines were amended to 31 July (for publication of the Draft Accounts) and 30 November (for the publication of Accounts and Audit Opinion relating to 2021/22 financial year) reverting back to 30 September (for the publication of Accounts and Audit Opinion relating to 2022/23 through to 2027/28 financial years).
- 2.5 The Council published a draft set of the Annual Statement of Accounts for the 2021/22 financial year on the Council's website: CDC Draft Statement of Accounts 2021/22
- 2.6 The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit



opinion the relevant Council Committee (being Audit Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 30 November 2022.

- 2.7 Where this has not been possible and authorities are required to place a notice on their webpage to this effect. A notice has been placed on the Council's website to this effect: [Audit Delay Notice 2021/22](#)
- 2.8 As at the publishing date of 30 November 2022, only 12% of local government bodies' 2021/22 audit opinions have been given. Although this is slightly higher than last year's 9%, this year's publishing date is two months later than the 30 September target for delivery of 2020/21 opinions.
- 2.9 The commentary below was made by the PSAA in relation to the level of audit opinions given at the publishing date:

What makes the latest position increasingly alarming is that more than 220 opinions from prior years remain outstanding. As opinions have been given at fewer than 60 bodies for 2021/22, this means that a total of more than 630 opinions are currently late. This year the position has been made more difficult by uncertainties concerning the valuation of infrastructure assets, adding to significant ongoing challenges of recruiting and retaining sufficient staff with the requisite knowledge, skills and experience to both prepare and audit the accounts to the required standard.

Steve Freer, PSAA's Chair said,

*"The scale of the backlog of outstanding opinions is such that it is beginning to seriously undermine the financial management, governance and accountability of local government bodies. As 2023 approaches more than 160 bodies are still awaiting audit opinions for both 2020/21 and 2021/22 and for some even earlier years. As a result they are making decisions, managing multiple financial challenges and laying plans for the future with limited assurance about their underlying financial positions. The local audit system desperately needs to find a way of clearing the backlog and restoring the norm of timely opinions as quickly as possible."*

### 3 CURRENT STATUS OF THE AUDIT

- 3.1 Members will be aware from the meeting in April 2022 that the Council's external auditors set out in the Audit Plan an outline of the timetable and work required to complete their audit and issue an Audit Results Report.
- 3.2 Detailed audit work and testing took place week commencing 17th October 2022 for a 7-week period with the external audit team remaining active on the audit to work through and resolve audit issues and differences.



- 3.3 It became clear during November 2022 that the audit opinion would not be issued in accordance with the statutory deadline. As set out in para 2.6, a notice has been placed on the Council's website to this effect.
- 3.4 The completion of the audit requires the Council's finance team and the external auditors to have adequate resources booked to the Council. Given the pressures on the Council's finance team to complete key tasks around the 2023/24 budget and that Grant Thornton did not have resources availability until early 2023 it was decided to put the audit on-hold until February 2023.
- 3.5 This would allow the finance team to complete work on the 2023/24 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of Audit Committee in April 2023.
- 3.6 In order to conclude the audit 2021/22 and subject to the following additional actions:
- Updated Disclosure Note valid for an 18-month period from the proposed audit opinion issue date. This will address any Going Concern issues with a cashflow forecast covering the period required. This sets out the updated impact on the Council's finances from and any Post Balance Sheet Event (PBSE) given the ongoing risk this may pose to the Council's financial standing.
  - Consideration will need to be given to any adjustments proposed by Grant Thornton to the financial statements. The Council will need to satisfy itself that these adjustments are reasonable and supported by appropriate evidence and detailed accounting guidance.
  - Production of updated Statement of Accounts with supporting notes and narrative statement (where appropriate)
  - Review of Statement of Accounts by Grant Thornton including any internal consultation process prior to the issuing of any proposed audit opinion.
- 3.7 At the time of writing, it is not clear when the audit opinion will be received as outlined above. It had been anticipated that the audited Statement of Accounts, Audit Opinion, and the Final Audit Results Report will be available in early 2023 with the next scheduled meeting of the committee (i.e. 23 April 2023).

#### **4 2022/23 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS**

- 4.1 Deadlines for the completion and publication 2021/22 and subsequent accounts were amended as part of the Government's response to the recommendations contained in the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond review reported on 08 September 2020 with the Government responding in December 2021.
- 4.2 The regulations amended the draft and final accounts publication deadlines for relevant bodies as set out in the table below. The regulations come into force on 22 July 2022.



| Action                    | Deadline as set out in Accounts and Audit Regulations 2015   | For Financial Year 2021/22   | For Financial Years 2022/23 to 2027/28   |
|---------------------------|--|--|--|
| Draft Accounts completion | 31 May   | 31 July  | 31 May   |
| Public Inspection period  | First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates | First 10 working days of August of the financial year immediately following the end of the financial year to which the statement relates | First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates |
| Publication of Accounts   | 31 July  | 30 November  | 30 September   |

- 4.3 The Council has amended its accounts closure process to meet the revised Accounts and Audit Regulation 2022 timetable.
- 4.4 At the time of writing it is unclear whether the Draft Accounts deadline and Public Inspection period will be amended, as was the case of the 2020/21 and 2021/22 Accounts. The Government has indicated that it will consult on the date as part of their response to the Redmond Review ([Measures to improve local audit delays](#), DLUHC December 2021)

“In addition, subject to consultation, our intention is for the deadline for preparing draft accounts to revert to 31 May for the 22/23 accounts onwards. The extended deadline of 31 July will still apply for the 21/22 accounts. We are confident local authorities will be able to meet this requirement and believe reverting to an earlier deadline is important to minimise disruption to the Whole of Government Accounts.”

- 4.5 The audit of the 2022/23 financial statements will commence once the 2021/22 Audit has completed and there may be other resourcing issues for Grant Thornton to consider. At this early planning stage it is anticipated that the 2022/23 audit work will be completed by the statutory deadline. Further discussions will need to take place over the coming weeks with Grant Thornton to schedule the 2022/23 audit work.

## 5 PSAA CONTRACT ARRANGEMENTS FROM APRIL 2024

- 5.1 The PSAA consulted on and confirmed auditor appointments from 2023/24 to opted-in bodies in the period October to December 2022, following award of contracts to audit firms in August and September. The exercise covered all bodies that had opted in before 31 December 2022.



- 5.2 The Council received formal notification in December 2022 from the PSAA that Bishop Fleming LLP have been appointed as the external auditor for Cotswold District Council following a short period of review. Bishop Fleming LLP will also be the appointed auditor for Forest of Dean District Council and West Oxfordshire District Council. The table below shows all the clients Bishop Fleming LLP will have under the PSAA contract.

| <b>Audit Year</b> | <b>Organisation</b>                               | <b>Sector Type</b>            |
|-------------------|---|-------------------------------|
| 2023-2024         | Avon Fire Authority                               | Fire and Rescue Authority     |
| 2023-2024         | Bromsgrove District Council                       | District Council              |
| 2023-2024         | Cheltenham Borough Council                        | District Council              |
| 2023-2024         | Cherwell District Council                         | District Council              |
| 2023-2024         | Chief Constable of Gloucestershire                | Chief Constable               |
| 2023-2024         | Chief Constable of West Mercia                    | Chief Constable               |
| 2023-2024         | Chief Constable of Wiltshire                      | Chief Constable               |
| 2023-2024         | Cotswold District Council                         | District Council              |
| 2023-2024         | Dartmoor National Park Authority                  | National Park Authority       |
| 2023-2024         | Devon and Somerset Fire Authority                 | Fire and Rescue Authority     |
| 2023-2024         | Dorset and Wiltshire Fire and Rescue Authority    | Fire and Rescue Authority     |
| 2023-2024         | Forest of Dean District Council                   | District Council              |
| 2023-2024         | Gloucester City Council                           | District Council              |
| 2023-2024         | Hereford and Worcester Fire Authority             | Fire and Rescue Authority     |
| 2023-2024         | Mid Devon District Council                        | District Council              |
| 2023-2024         | North Devon District Council                      | District Council              |
| 2023-2024         | Police and Crime Commissioner for Gloucestershire | Police and Crime Commissioner |
| 2023-2024         | Police and Crime Commissioner for West Mercia     | Police and Crime Commissioner |
| 2023-2024         | Police and Crime Commissioner for Wiltshire       | Police and Crime Commissioner |
| 2023-2024         | Redditch Borough Council                          | District Council              |
| 2023-2024         | South Hams District Council                       | District Council              |
| 2023-2024         | South Oxfordshire District Council                | District Council              |
| 2023-2024         | Stroud District Council                           | District Council              |
| 2023-2024         | Tewkesbury Borough Council                        | District Council              |
| 2023-2024         | Torridge District Council                         | District Council              |
| 2023-2024         | Vale of White Horse District Council              | District Council              |
| 2023-2024         | West Devon Borough Council                        | District Council              |
| 2023-2024         | West Oxfordshire District Council                 | District Council              |
| 2023-2024         | Wyre Forest District Council                      | District Council              |

- 5.3 It is expected that initial engagement between the Council and Bishop Fleming will take place during the 2022/23 with the timing and form of engagement to an extent dependent on progress by Grant Thornton on the 2022/23 audit.

## **6 CONCLUSIONS**

- 6.1 The Council will continue to engage with Grant Thornton to ensure the Audit Opinion can be provided within the indicative timescales set out in this report.
- 6.2 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.



## **7 FINANCIAL IMPLICATIONS**

7.1 There are no financial implications arising from this report.

## **8 LEGAL IMPLICATIONS**

8.1 There are no legal implications arising from this report

## **9 CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

9.1 None

## **10 ALTERNATIVE OPTIONS**

10.1 None

(END)