

AUDIT COMMITTEE

Monday, 25 November 2024

PRESENT – Councillors Henderson (Chair), Durham, Garner, Keir and McGill

APOLOGIES – Councillors Baker

OFFICERS IN ATTENDANCE – Lee Downey (Complaints and Information Governance Manager), Brett Nielsen (Assistant Director Resources), Judith Murray (Finance Manager), Campbell Dearden (Forvis Mazars), Caroline Mulley (Ernst and Young) and Olivia Hugill (Democratic Officer).

A25 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A26 ANNUAL STATEMENT OF ACCOUNTS 2022/23

The Executive Director of Resources & Governance submitted a report (previously circulated) to present a report by the Council's external auditors, Ernst and Young LLP (EY) on the audit for the year ended 31 March 2023.

It was reported that; In accordance with the Accounts and Audit (Amendment) Regulations 2023, all Local Authorities were required to produce the draft annual Statement of Accounts by 31 May 2023 and an audited set published by 30 September 2023. As it had been previously outlined to this Committee, that due to national issues which led to a delay finalising the 2021/22 accounts and the subsequent delay commencing the 2022/23 accounts, EY were not in a position to deliver the audit by the statutory deadline.

The report explained that the backlog in the publication of audited accounts had reached an unacceptable level nationally, with the number of outstanding opinions as at the 30th of September 2023 standing at 918. In a bid to provide a solution the Accounts and Audit (Amendment) regulations 2024 provide for statutory backstop dates to help clear the backlog of audit and rebuild assurance. The first statutory 'backstop' date is to be the 13th of December, and it applied to all outstanding audits up to and including the 2022/23 accounts.

It was stated that following the completion of the 2021/22 accounts in April 2024 the Council offered their full support and additional resources to try and fully complete the 2022/23 audit before the backstop date. EY did not have the capacity or the resources available to schedule the 2022/23 audit, therefore they have not been able to complete a full audit, this had led EY to issue a disclaimer of opinion for the 2022/23 accounts.

The report clarified that EY are expected to; give a disclaimed opinion on the Council's 2022/23 accounts, to report that they have not identified any significant weaknesses in arrangements to secure value for money in its resources, and to confirm that the Council's Annual Governance Statement is not misleading or inconsistent with other information known to them.

Members wanted to understand what caused the delay with accounts, and whether any

other local authorities were in the same position. Members asked Auditors EY what they had looked at in terms of value for money to give an understanding of what is left to be considered.

Members of the Committee were concerned about whether financial statements would be correct as a full audit had not been completed, and any potential impacts of not having a full audit on the Councils budget. Officers explained that they were confident with the figures included in the statement of accounts and the backstop arrangements allow auditors to rebuild assurance.

RESOLVED -

- a) The Auditor's Completion Report for Those Charged With Governance for the Council's 2022/23 financial statements be noted.
- b) Members note and approve the Letter of Representation in Appendix A of the Completion Report for Those Charged With Governance.
- c) The Audit Committee agrees not to amend the unadjusted audit differences as they are not material.
- d) The Audit Committee is requested to note (and subsequently approve when the audit is complete) the attached IFRS compliant Statement of Accounts at **Annex 2** for the 2022/23 financial year.

A27 ANNUAL GOVERNANCE STATEMENT 2022/23

The Chief Executive submitted a report (previously circulated) seeking approval of the Council's draft Annual Governance Statement (AGS) (also previously circulated).

It was reported that most local authorities financial statements for 2022/23 remain unaudited, as a result of delays in the external audit process. Publication of the AGS follows the same timetable.

The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 require local authorities to prepare, approve and publish, each year an AGS. These regulations also determine the timetable for approval and publication and the Council must publish its draft AGS no later than 31 May and its final audited version no later than 13 December of the financial year immediately following the end of the financial year to which the statement relates.

It was also reported that as a consequence of the aforementioned delays the draft unaudited AGS was published on 30 June 2023.

The Council has updated paragraph 142 in the final 2022/23 AGS to read, the Council's external auditors Ernst and Young LLP (EY) are expected to give a *disclaimed* rather than an *unqualified opinion* on the Council's 2022/23 accounts by the target date of 13 December 2024. The Council has not identified any other significant governance issues pertinent to 2022/23 which would prompt an update to the AGS.

The Annual Governance Statement for 2022/23 outlined the Council's responsibilities, explained the purpose of the governance framework; set out the key elements; detailed the review of its effectiveness; highlighted any significant governance issues; and included a commitment by the Leader of the Council and the Chief Executive to ensure the continuous improvement of the system in place.

RESOLVED – That the draft Annual Governance Statement for 2022/23, as appended to the submitted report, be approved.

A28 SUPPLEMENTARY ITEMS

Councillor Garner announced his resignation as Vice Chair of the Audit Committee. For the next Ordinary Meeting of Audit Committee, the agenda will include the appointment of Vice Chair.