

<b>Title of Report</b>	<b>STATEMENT OF ACCOUNTS UPDATE</b>	
<b>Presented by</b>	Cllr N Rushton Portfolio Holder - Corporate	
<b>Background Papers</b>	<a href="#">Statement of Accounts Council 22 February 2024</a>  <a href="#">Statement of Accounts Council 5 November 2024</a>  <a href="#">Audit and Governance Committee - 5 February 2025</a>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	There are no financial implications arising from this report. <b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	The Accounts and Audit Regulations 2015, along with their subsequent amendments, set out detailed requirements for the preparation, approval, and publication of financial statements by local authorities and other relevant bodies in England. <b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no staffing or corporate implications arising from this report. <b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To provide Council with an update in respect of the Council's Statement of Accounts 2023/24.	
<b>Recommendations</b>	<b>THAT COUNCIL NOTES THE UPDATE ON THE COUNCIL'S STATEMENT OF ACCOUNTS FOR 2023/24.</b>	

## 1.0 BACKGROUND

- 1.1 Reports were considered by Council on 22 February 2024 and 5 November 2024 which provided details of the Government's proposals for addressing the audit backlog, as well as outlining the Council's position in respect of its Statement of Accounts.
- 1.2 At the meeting on 5 November 2024, the Director of Resources informed Members that he had written to MHCLG to notify them that the Council would not be able to meet the backstop date for the 2023/24 unaudited accounts, which is 28 February 2025.
- 1.3 Since then, a response has been received from the Ministry for Housing Communities and Local Government (MHCLG) informing the Council of the next steps. In addition, MHCLG issued a letter to local authorities on 13 January 2025 confirming the process for local authorities to follow in respect of the 2023/24 Statement of Accounts, a copy of which is shown at Appendix One.

- 1.4 The response from MHCLG notes the challenges the Council has been facing which were highlighted in reports to Council and a letter to the Audit and Governance Committee. It states that backlog measures are likely to have uncomfortable consequences in the short term.
- 1.5 Regulation 9A (6) of the Accounts and Audit Regulations 2015, as recently amended, sets out the requirements on any (non-exempt) body that does not comply with a backstop date. These requirements include publishing an explanation, sending a copy of this to the Secretary of State and publishing audited accounts as soon as practicable. The Government intends to publish a list of bodies and auditors that do not meet the backstop dates, which will make clear where unaudited (draft) accounts have also not been published.
- 1.6 The Council successfully met the backstop date in December 2024 by signing off its unaudited accounts for the financial years 2021/22 and 2022/23. As the Council is not in a position to meet the backstop dates it will appear on the aforementioned list.
- 1.7 The Council is committed to ensuring transparency in this process and will publish an explanation for the delay on our website and send a copy to the Secretary of State as required by the regulations.
- 1.8 The Council remains dedicated to working collaboratively with our auditors and other stakeholders to address the underlying issues contributing to the audit backlog.
- 1.9 The Council has faced significant challenges due to delays in addressing the backlog of the statement of accounts. These delays have been primarily attributed to the implementation of a new financial system, which, while promising enhanced efficiency and accuracy, has introduced several complexities. One of the major issues has been the reconciliation of key ledger transactions, a critical process to ensure the accuracy and integrity of financial records. The transition to the new system has required extensive adjustments and troubleshooting, leading to unforeseen delays. Further reasons for the delay in publishing the Council's statement of accounts include challenges related to capacity and recruitment for key positions within the Council. Additionally, capacity issues faced by the previous external audit team have also contributed to the delay.
- 1.10 In response to these challenges, the Council is actively working to resolve the issues brought about by the new financial system. This includes a thorough review and refinement of the reconciliation processes to ensure that all key ledger transactions are accurately and promptly reconciled. The Council recognises the importance of these reconciliations in maintaining financial transparency and accountability, and is committed to addressing any discrepancies that have arisen during the transition period.
- 1.11 To expedite the reconciliation processes and reduce the backlog, the Council is currently reviewing its exchequer processes. This review aims to identify and implement more efficient procedures, streamline workflows, and leverage the capabilities of the new financial system to their fullest potential. By doing so, the Council hopes to not only clear the existing backlog but also establish a more robust and resilient financial management framework for the future.
- 1.12 The Council is maintaining open and transparent communication with its external auditors, Azets, to ensure a smooth and efficient audit process. Regular updates and meetings are being held to discuss the progress of the reconciliations and address any issues that may arise. This collaborative approach helps to keep Azets informed and allows the Council to promptly respond to any queries or concerns they might have.

- 1.13 The goal is to publish the draft accounts for 2023/24 as soon as practically possible, once all reconciliations are completed. By working closely with Azets, the Council aims to ensure that the draft accounts are accurate and comprehensive, reflecting the true financial position of the Council. This proactive communication and cooperation with Azets are crucial steps in achieving timely and reliable financial reporting

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	- A well-run council
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and zero carbon:	None.
Consultation/Community Engagement:	The Council has responded to Government consultations in respect of backstop dates and the recent consultation in respect of the Government's Local Audit Strategy.
Risks:	<ul style="list-style-type: none"> <li>- Loss of public trust and confidence in the Council's financial management and governance.</li> <li>- Reduced transparency and accountability to the Council's stakeholders, including taxpayers, service users, creditors, grant providers and regulators.</li> <li>- Increased scrutiny and intervention from external bodies, such as the Department for Levelling Up, Housing and Communities and Local Government, the National Audit Office, the Local Government Association and the Public Sector Audit Appointments.</li> <li>- Potential legal challenges or claims from aggrieved parties who may rely on the accuracy and timeliness of the financial information in the Statement of Accounts.</li> <li>- Additional costs and resources required to resolve the audit issues and complete the audit process</li> </ul>
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