

FINANCE, AUDIT AND RISK COMMITTEE

5 FEBRUARY 2024

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2023/24

REPORT OF: SERVICE DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts. The next one is 28 February 2025 for 2023/24 accounts.

KPMG LLP (KPMG, as the Council's auditors for 2023/24 onwards) have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts (Appendices B and C). As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. Instead, they have issued a partially disclaimed opinion. This means that they have been able to fully look at some areas of the Accounts, but not others. This is the situation that we expected to be in as it will take time to get the whole process back to normal.

During the audit that KPMG have carried out they have found some non-material errors and proposed corrections. In most of these we have corrected these but have not made changes in relation to some pension adjustments (see paragraph 8.3) and the resultant Statement of Accounts is attached at Appendix A.

The reports from KPMG include their Value for Money report. They have not identified any significant weaknesses, which is a positive assessment. They have made some recommendations on improvements that we can make. All these are low priority (level 3). A verbal update will be provided to the meeting on the actions to address these recommendations.

The Council's Annual Governance Statement (AGS) should be approved in advance of approving the Statement of Accounts. This is the preceding item on the agenda for the meeting.

2. RECOMMENDATIONS

- 2.1. That the Committee note the KPMG Annual Report as attached at Appendix B and the KPMG Year End Report to the Finance, Audit and Risk Committee at Appendix C.

- 2.2. That the Committee approve the 2023/24 Statement of Accounts as attached at Appendix A (with the Auditors Report to be added), and that they can be signed by the Chair.
- 2.3. That the Committee approve the signing of a Management Representation by the Chair of the Committee. This will be a standard format and is in the process of being finalised by KPMG.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None, the approval of the Statement of Accounts is a statutory requirement.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation with Members on the Statement of Accounts is not required.
- 5.2. The draft Statement of Accounts for 2023/24 were published on our website in September 2024. This was later than when we were supposed to publish them. The delay was due to the Accounts team focusing on implementing a new finance IT system, the continuing work on the 2022/23 accounts and waiting for information in relation to pensions disclosures. We knew that the delay would not impact on when the audit work by KPMG would be carried out. Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations and ran from 18 September to 29 October 2024. No one took up the opportunity to inspect the accounts.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts. The next one is 28 February 2025 for 2023/24 accounts.
- 7.2. Like most Councils, our audit appointments are arranged through Public Sector Audit Appointments (PSAA). They determine who our auditor will be and set scale fees for audits. For 2023-24 onwards (for an initial term of 5 years) our auditors are KPMG.

8. RELEVANT CONSIDERATIONS

- 8.1 KPMG have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. These are an Annual Report (attached at Appendix B) and a the KPMG Year End Report to the Finance, Audit and Risk Committee (attached at Appendix C). As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. This is because an audit would usually get assurances (e.g. in relation to prior year balances and comparative information) from the prior year audit work. Instead, they have issued a partially disclaimed opinion. This means that they have been able to fully look at some areas of the Accounts, but not others. This is the situation that we expected to be in as it will take time to get the whole process back to normal.
- 8.2 The reports detail the audit work that KPMG have been able to carry out and which areas of the Accounts are subject to a disclaimed opinion, and which are not. A disclaimed opinion (not able to review some or all of the accounts due to time constraints) is different from a qualified opinion (arises when there are material errors in the accounts), and is not a negative reflection on the accounts.
- 8.3 During their audit work, KPMG found some non-material errors and we have corrected most of these. We have not corrected three errors which relate to the pension fund disclosures. These are fully detailed on pages 29 and 30 of Appendix C. We have chosen not to correct these errors, as they would require the time and cost of getting a new pension valuation report. As the differences arise from incorrect data used by the actuary and different assumptions, we will make the County Council (as pension fund administrator) aware of this, to try and avoid it happening again. Two of the errors are subject to an asset ceiling, and none of the errors have any impact on the General Fund. An uncorrected non-material error would not result in a qualified audit opinion.
- 8.4 KPMG (as per their audit requirements) also carry out Value for Money work. This is also set out in their completion report. They identified two significant risks as part of their work, but no significant weaknesses arising from those risks. This is a positive outcome for the Council. They have identified some control deficiencies as detailed on pages 31 and 32 of Appendix C. A verbal update will be provided at the meeting to detail the steps that we will take to address these.
- 8.5 The Statement of Accounts (with the errors that have been corrected as per paragraph 8.3) are attached at Appendix A. These are the Accounts that the Committee are asked to approve, including that they can be signed by the Chair. Prior to signing, the Auditors Report will need to be added. This report will reflect the substance of what is contained in Appendix B.
- 8.6 There will also be a requirement to sign a Management Representation letter. KPMG are still working on the format of that letter to reflect partly disclaimed opinions. This letter will be a standard format and will reflect that we have fulfilled our responsibilities.
- 8.7 In advance of approving the Statement of Accounts the Committee must approve the Annual Governance Statement (AGS) for 2023/24. This is the preceding item on the agenda of this meeting.

9. LEGAL IMPLICATIONS

- 9.1 The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published.
- 9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to “review and approve the Statement of Accounts” (constitution 10.1.5a).
- 9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.
- 9.4. The Local Government Act 2003 (section 21) determines that the Council must follow ‘proper practices’ in the preparation of the annual Statement of Accounts
- 9.5 The Accounts and Audit (Amendment) Regulations 2024’ have introduced the back-stop dates and a revision to the date when Councils should publish their draft Statement of Accounts.

10. FINANCIAL IMPLICATIONS

- 10.1. None of the minor changes made to the Accounts (as identified in the audit work by KPMG) affect the the year-end General Fund balance (or other usable reserves) compared to that reported to Cabinet and Council in July 2024.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds. The audit process also provides assurances. The role of audit is weaker where it provides a partly disclaimed option, although a full Value for Money review has been undertaken.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are the resource implications of preparing our Statement of Accounts and supporting the audit work that by KPMG. The timing of this causes issues when it follows so soon after the approval of the 22/23 Statement of Accounts, and at the same time as in-year budget monitoring (for 2024/25) and preparing the budget for 2025/26. This should improve over time as audit work moves back towards the correct timing in the year.

16. APPENDICES

16.1 Appendix A: Statement of Accounts 2023/24

16.2 Appendix B: KPMG Annual Report

16.3 Appendix C: KPMG Year End Report to the Finance, Audit and Risk Committee

17. CONTACT OFFICERS

17.1 *Ian Couper, Service Director: Resources, ian.couper@north-herts.gov.uk, ext: 4243*

18. BACKGROUND PAPERS

18.1 *None*