

AUDIT COMMITTEE – 8 DECEMBER 2022

PART I – DELEGATED

5. STATEMENT OF ACCOUNTS UPDATE (DoF)

1 Summary

1.1 This report sets out the latest position for the finalisation and audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

1.2 The report also provides an update on the process to appoint external auditors for 2023/24 onwards.

2 Detail

2.1 Statement of Accounts 2019/20

2.1.1 The Draft Statement of Accounts 2019/20 is published as Appendix 1 to this report. This has been submitted to the External Auditors, Ernst Young (EY), and includes all amendments arising from the 2019/20 audit which have been agreed between Officers and the local audit team. The accounts are now subject to an internal consultation process within EY which will scrutinise the accounts and audit work in relation to:

- The Going Concern assessment
- The Prior period adjustments in relation to the Fixed Asset Register and South Oxhey Initiative

2.1.2 Delegation is sought from the Committee for any final changes arising from the consultations to be made by the Director of Finance and for the Chair of the Committee to sign the accounts. This will enable the accounts to be signed off as soon as the consultations are concluded and in advance of the next Committee meeting in March.

2.1.3 As previously reported to the committee, the change in accounting treatment of the South Oxhey Initiative and reclassification and revaluation of other fixed assets has resulted in calculations being reworked back to 2017/18 and these changes meet the definition of a prior period adjustment (PPA). The changes and the impact of the changes on the Statement of Accounts is disclosed in Note 4 to the accounts.

2.1.4 As noted above, the PPA requires the External Auditors to complete additional due diligence and the revisions will undergo an internal consultation process. This will include a review of the valuations of the South Oxhey initiative included in the accounts by the EY specialist valuations team. The other outstanding item is the conclusion of the review of management's Going Concern assessment, which covers the period of 12 months from the date of signing the accounts.

2.1.5 Auditing standards require the External Auditors to obtain representations from management on certain matters material to their audit opinion. This is known as the Letter of Representation. The Audit Committee is required to consider and approve the letter of representation before it is signed by the Director of Finance and the Chair of the Committee.

- 2.1.6 A Draft Letter of Representation is at Appendix 2. The draft letter may change to reflect the outcome of the ongoing audit work. Therefore, the committee is asked to agree that the Director of Finance, in consultation with the Chair of the Committee, can make any further changes to the letter of representation that may arise as a result of the consultations.
- 2.1.7 The Letter of Representation must set out any unadjusted audit differences where management has chosen not to amend the statements for audit findings and the rationale for not doing so. At this stage, it is not anticipated that there will be any unadjusted audit difference as differences

2.2 Statement of Accounts 2020/21

- 2.2.1 The draft Statement of Accounts for 2020/21 was published by 31 July 2021 in line with statutory timetable for public inspection. The draft accounts will be updated to reflect the final balances and changes to accounting treatment agreed in the 2019/20 accounts upon completion of the consultation on the 2019/20 prior period adjustments.
- 2.2.2 The audit of the 2020/21 accounts is commenced on 17 October 2022 and is ongoing. An update from the External Auditors is elsewhere on the agenda.
- 2.2.3 It is expected that it will be possible to conclude the audit of the 2020/21 accounts swiftly following signing of the 2019/20 accounts. The expected timeframe will be reviewed in January and, if appropriate, an additional meeting of the Audit Committee will be arranged to sign the 2020/21 accounts ahead of the next meeting on 28 March 2023.

2.3 Statement of Accounts 2021/22

- 2.3.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.
- 2.3.2 It is anticipated that the audit of the 2021/22 will follow on immediately from the conclusion of the 2020/21 audit however, estimated completion is uncertain due to the availability of audit resource and the impact of year end. The shared objective between Officers and the External Auditors is to bring the Council's accounts and audit back within the statutory framework during 2023.

2.4 Appointment of External Auditors from 2023/24 to 2027/28

- 2.4.1 As previously reported, the Council has opted into the national procurement for external audit services for the five year period beginning on 1 April 2023, led by Public Sector Audit Appointments Limited (PSAA). The outcome of the procurement was announced by PSAA on 3 October 2022 with 99.5% of the tendered work provided for.
- 2.4.2 Contracts have been offered to six suppliers with the scale of the contract depending on the capacity each supplier is able to provide. Three existing suppliers have been reappointed. These are Grant Thornton with 36% of the work, Mazars with 22.5%, and Ernest & Young with 20%. KMPG have re-entered the market with 14% of the

work. The remaining work has been offered to two new entrants to the market Bishop Fleming, 3.75% and Azets Audit Services, 3.25%.

2.4.3 On 17 October the PSAA commenced the consultation on the proposed auditor appointments for all opted in bodies and wrote to all Section 151 Officers, Chief Executives and Audit Committee Chairs. The consultation closed on 14 November 2022.

2.4.4 The proposed auditor for Three Rivers District Council from 2023/24 is Azets Audit Services. The PSAA describe Azets as:

“ A UK top 10 audit, accounting and business advisory firm. The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission. While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands and London”

2.4.5 The PSAA have committed to write to all bodies to confirm the Board’s final decision on the auditor appointments on or before 31 December 2022. Once the appointment is confirmed, Officers will begin work with our current external auditors to ensure a smooth transition for 2023/24.

2.4.6 The PSAA have noted that the bid prices received in the procurement reflect a significant increase in the current audit fee. In Autumn 2023 the PSAA will consult on the scale fee for 2023/24. However, authorities are advised to anticipate a ‘major reset’ involving an increase of around 150% on 2022/23 fees. The PSAA have raised the impact of this cost pressure on local authorities with the Department of Levelling Up, Housing and Communities (DLUHC) whilst also recognising the importance of a well funded audit system which is exposed to significant recruitment, retention and regulatory risks.

3 Policy/Budget Reference and Implications

3.1 The recommendations in this report are within the Council’s agreed policy and budgets.

4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

4.1 None specific.

5 Recommendation

5.1 The Audit Committee is recommended to:

In relation to the 2019/20 Statement of Accounts:

- Approve the Statement of Accounts for 2019/20 subject to any final adjustments by the Section 151 Officer (Director of Finance)
- Agree that the Section 151 Officer be delegated to finalise the Statement of Accounts for 2019/20 in consultation with the Chair of the Audit Committee
- Agree that the Committee authorise and instruct the Chair to sign the Statement of Accounts for 2019/20 once finalised and signed by the Section

151 Officer to confirm that the Statement of Accounts presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year
- Approve the Letter of Representation for 2019/20 and agree to delegate to the Section 151 Officer and Chair of the Audit Committee to make any necessary changes resulting from the conclusion of the audit.

In relation to the 2020/21 and 2021/22 Statement of Accounts:

- Note the latest timetable for completion of the external audit of the statement of accounts for 2020/21 and 2021/22.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: None used in the preparation of the report

Background Papers

Statement of Accounts report to Audit Committee July 2022

APPENDICES / ATTACHMENTS

Appendix 1 – Draft Statement of Accounts 2019/20

Appendix 2 – Draft Letter of Representation 2019/20