

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

15 April 2024

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 LOCAL AUDIT CONSULTATION

This report informs Members of the Local Audit Consultation undertaken by the National Audit Office (NAO) on the progress for Local Authority Audit to be undertaken through to 2027/28.

The report also updates members on the proposed audit plan for the 2023/24 Financial Statements and consideration of the timing and signing of these statement.

1.1 Introduction

- 1.1.1 The increased requirements of various International Auditing Standards and a lack of resources in both Local Government Accounting and External Audit teams have resulted in a number of delays to Local Authority Audits covering the Statement of Accounts.
- 1.1.2 Whilst this has not affected Tonbridge and Malling Borough Council greatly, in that the Council's 2022/23 Accounts were signed off in October 2023, a number of councils have accounts dating back several years that are being worked on.
- 1.1.3 Proposals have now been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

1.2 Proposals

- 1.2.1 A Joint Statement from the Minister for Local Government on the proposed way forward for Local Government Account for the financial years up to 2027/28 is given in **[Annex 1]** and **[Annex 2]** to this report. The proposals contain three phases as described below.
- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.

- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

1.2.2 Phase 1 does not really concern TMBC because, as previously stated, the accounts were signed off in October 2023. However, the fallout from the delay to others will be explored later in this report.

1.2.3 Phase 2 will have impact on the accounts being prepared for financial years commencing on 1st April 2023 to 1st April 2027. The 2023/24 (current year) to 2027/28 financial Statements with proposed sign off dates for the accounts to be no later than the details shown below:-

<i>Financial year beginning</i>	<i>Financial Year</i>	<i>Date accounts to be signed by</i>
1 st April 2023	2023/24	31st May 2025
1 st April 2024	2024/25	31st March 2026
1 st April 2025	2025/26	31st January 2027
1 st April 2026	2026/27	30th November 2027
1 st April 2027	2027/28	30th November 2028

1.2.4 Phase 3 will require further work from the Professional Bodies mentioned in paragraph 1.1.3 and practitioners within Local Government to address the issues in Local Authority Accounting and build upon the recommendations of the Redmond review undertaken prior to the pandemic.

1.3 2023/24 Accounts

1.3.1 Work is commencing on the 2023/24 statements and the current timetable and legislation requires the Section 151 Officer's signature (i.e. the Director of Finance and Transformation) and Publication of the Accounts ready for Audit no later than 31st May 2024.

1.3.2 In a normal year we would expect our External Auditors, Grant Thornton, to commence the audit of the statements sometime from July with them issuing an Audit Finding Report (AFR) for this Committees consideration and Recommendation for the Chairman and the Section 151 Officer to sign off of the accounts at the end of September.

1.3.3 However, as Members will see from Phase 1 of the proposals, priority is being given to those authorities whose 2022/23 Accounts remain unsigned with a backstop date of 30 September 2024. Due to this we have been informed by our Audit Team that the Audit of the 2023/24 accounts is unlikely to commence until October 2024 with conclusion of the Audit in December 2024.

1.3.4 Members should note that this period of time is normally when the Council's Revised and Forward Estimates are formulated for initial discussion with Cabinet

in November/December and then presentation to Members of the Overview and Scrutiny Committee and January prior to the meeting of Full Council in February. The deadline for the setting of Council Tax is covered under statute and cannot be delayed beyond 11 March each year.

- 1.3.5 With this in mind the Accountancy Team have revised the timetable involving Service input into the estimated process to earlier in the financial year in order to avoid significant resource drag towards the review and production of the Estimates during the time of the Audit.
- 1.3.6 The current programme of meetings has the committee meetings scheduled for September 2024 and January 2025. It is normal to expect the Audit Committee, as those being charged with Governance, to consider the AFR prior to the accounts being signed by the Engagement Lead.
- 1.3.7 This leaves three options:
- 1) to move the January Meeting of Audit Committee to December but given the Christmas recess it is felt by Officer and the Engagement Lead that it would be unlikely that the AFR will be completed in time for a meeting prior to Christmas (and there are no scheduled meetings between Christmas and New Year). Furthermore, it is unlikely that the other reports for consideration at the January Committee such as Treasury and Risk Strategies would be completed in time due to the issues raised in paragraph 1.3.4 and 1.3.5.
 - 2) The second option is, if acceptable to both External Auditors and this Committee, is to circulate the AFR to members of the committee and give delegation to the Chairman to sign the necessary documents so that the Audit can be concluded by the 31 December 2024. The full Accounting Statement and the AFR would be published with the January Committee Papers for information only.
 - 3) The final option is that the Committee consider the accounts and AFR at their meeting on the 13 January 2025.
- 1.3.8 Discussion have been held with Grant Thornton and their preferred option would be for **option 3**. Members are asked to consider this response from Grant Thornton and determine an appropriate way forward.

1.4 Consultation Proposals and the Authority's Responses

- 1.4.1 There are two consultation proposals, one from the Department of Levelling Up, Housing and Communities, (DLUHC) and the National Audit Office (NAO). These can be found at **[Annex 3]** and **[Annex 5]** respectively.
- 1.4.2 The deadline for the responses to the consultation papers was 7 March 2024.

- 1.4.3 The Council's response to these questions were provided by the Chief Financial Services Officer and the Accounting Team and can be found at **[Annex 4]** and **[Annex 6]** respectively.
- 1.4.4 These responses were shared with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing for comment prior to submission.
- 1.4.5 Members are asked to **note** the responses.

1.5 Legal Implications

- 1.5.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

1.6 Financial and Value for Money Considerations

- 1.6.1 The proposed audit fee for the 2023/24 accounts is £139.930.

1.7 Risk Assessment

- 1.7.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

1.8 Equality Impact Assessment

- 1.8.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.9 Policy Considerations

- 1.9.1 Business Continuity/Resilience

Due to the timing of the audit and the workload on the preparation of the Budget, there is a potential risk that work being split between the two statutory areas and the current resources could lead to delays if they audit enquiries are significantly challenging.

1.10 Recommendations

- 1.10.1 Members are asked to:

- 1) Consider the response from Grant Thornton on the preferred sign off on the 2023/24 financial statements and determine the most appropriate arrangement; and

- 2) Note the responses returned by Officers in liaison with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing on the two Consultation proposals.

Background papers:

contact: Paul Worden

Nil

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