

28 February 2024

Agenda Item:8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

LOCAL AUDIT DELAYS

Purpose of the Report

1. To inform Members of the issues surrounding the proposals to clear the local audit backlog and embed timely audit.
2. Seek approval to delegate responsibility to the Section 151 Officer , in conjunction with the Chairman of this Committee, to respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Information

3. Timely, high-quality financial reporting and audit of local bodies is a vital part of democratic systems. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.
4. The backlog in the publication of audited accounts of local bodies in England has grown to an unprecedented level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.
5. In July 2023, the Minister for Local Government published a Cross-System Statement to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.
6. To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

7. DLUCH has launched a consultation, progressing the commitments made by Central Government and the Financial Reporting Council (FRC), to seek responses to cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.
8. The proposed package of measures being consulted upon consist of three stages:-
 - 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.
9. This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and views are welcomed from any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework.
10. Although Phase 1 of the consultation does not impact on Nottinghamshire County Council, as audited opinions to 2022/23 have been completed, the recovery stage will impact on future audits and opinions. Proposals in the consultation suggest that Local Authorities would be required to publish audited accounts by the following dates for financial years 2023/24 to 2027/28:-
 - 2023/24: 31 May 2025
 - 2024/25: 31 March 2026
 - 2025/26: 31 January 2027
 - 2026/27: 30 November 2027
 - 2027/28: 30 November 2028
11. Views are being sought on these proposed deadlines and on whether, in light of the above deadlines, the existing 31 May deadline for the publication of unaudited accounts remains appropriate for the financial years 2024/25 to 2027/28.
12. It is proposed that the Section 151 Officer, in conjunction with the Chairman of this Committee, respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Other Options Considered

13. Not providing an update to Committee on the steps being taken to address unprecedented levels of delay in completing audits from previous years would not be an appropriate course of action.

Reason/s for Recommendation/s

14. To ensure that Members are updated on proposals to clear the local audit backlog and embed timely audit.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

16. There are no financial implications arising from this report.

RECOMMENDATION/S

- 1) That Members note the issues surrounding the proposals to clear the local audit backlog and embed timely audit.
- 2) That approval is given to delegate responsibility to the Section 151 Officer, in conjunction with the Chairman of this Committee, to respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

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Constitutional Comments (19/02/2024 KK)

17. Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report and make the recommendations contained within this report.

Financial Comments (14/02/2024 GB)

18. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All