

## FINAL ACCOUNTS REPORT 2019/20, 2020/21 AND 2021/22

**Meeting:** Audit and Governance Committee

**Date Of Meeting:** 4 December 2024

**Lead Officer:** Stephen Fitzgerald | Stephen.Fitzgerald@woking.gov.uk

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Will the decision be open for call in (i.e. is it a key decision)?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### 1.0 Purpose of Report

1.1 This report provides an update on the approach to meeting the Government's statutory backstop dates and puts forward the 2019/20, 2020/21, and 2021/22 final accounts to be recommended to Council for approval.

### 2.0 Recommendations

2.1 The Committee is requested to:

#### RESOLVE THAT

(i) the 2019/20, 2020/21, and 2021/22 final accounts be referred to Council for approval.

### 2.2 Draft Accounts 2019/20, 2020/21, and 2021/22

2.3 As reported to previous committees, delays in the external audit of the 2019/20 accounts, together with capacity gaps within the Council, have impacted on the completion and publication of future year accounts. Additionally there were shortcomings in the financial information relating to the Group companies. The Council's last audited and signed off accounts were for 2018/19 with the 2019/20 Accounts continuing to be in the process of being audited by our (then) external auditors BDO.

2.4 On 9 September the new government introduced a "backstop" date of 13 December whereafter outstanding audits up to the year 2022/23 would be resolved by audit firms being able to issue a disclaimed opinion to those accounts. For 2023/24 the audit deadline will be 28 February 2025. If these deadlines are not met, it is expected that accounts will be published with a disclaimer or modified opinion.

2.5 In order to meet the above backstop dates, it was agreed with Commissioners and external audit to focus on producing draft single entity accounts for the outstanding years. Good progress has been made on these draft single entity accounts. The 2019/20, 2020/21, and 2021/22 accounts were presented to the 29 July Audit Committee where they were noted and referred to Council for consideration, alongside an explanatory note. The 26<sup>th</sup> September 2024 Council subsequently

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noted the accounts and referred them to the Council's external auditors for their audit opinion (minutes from the 26 September Council meeting are shown below).

- 2.6 The 2022/23 draft accounts have also been completed and were noted by the 21<sup>st</sup> November 2024 Audit and Governance Committee. The draft accounts were published on the 31<sup>st</sup> October 2024 and the public consultation period is due to end on the 12<sup>th</sup> December 2024.
- 2.7 The Director General for Local Government and Public Services (Catherine Frances) wrote to Local Authorities on 20 September 2024 advising that the Government has now laid in Parliament two pieces of legislation which would give effect to the backstop proposals: the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), a draft Code of Audit Practice 2024. In October 2024 CIPFA also published 'Bulletin 18 – Local Audit Backlog In England' providing further clarification.
- 2.8 In a letter to the Section 151 Officer from Steve Bladen (Director, BDO) dated 30 October 2024, the external auditors (BDO) set out the actions required of Woking Borough Council under the backstop legislation. The actions which haven't been met are listed below;
- 2.9 *Following the conclusion of the period for the exercise of public rights, a local authority must:*
- *consider, either by way of a committee or by the members meeting as a whole, the statement of accounts*
  - *approve the statement of accounts by a resolution of that committee or meeting*
  - *ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.*
- The RFO must then re-confirm that they are satisfied 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,*
- before the local authority approves the statement of accounts.*
- 2.10 The period for the exercise of public rights ends at 4.45pm on 29<sup>th</sup> November 2024 for the 2021/22 accounts and 4.45pm on 12<sup>th</sup> December 2024 for the 2022/23 accounts. These accounts can therefore be considered by Council at the meeting on the evening of 12<sup>th</sup> December. Members of the Audit Committee are asked to recommend to Council that the accounts for 2019/20, 2020/21, and 2021/22 which have all already been noted by this committee, be approved.
- 2.11 The limitations of these accounts were thoroughly discussed at both the Audit Committee meeting on 29 July 2024 and the Full Council meeting on 26 September 2024. The limitations are set out in the both Statement of Responsibilities and Explanatory forward to the final accounts, a supporting statement by the Section 151

Officer, and a statement by the Audit Committee. The letter from Catherine Frances dated 20<sup>th</sup> September 2024 (referred to above) advised that, if bodies feel they are in a position where they will not be able to certify that the unaudited accounts show a true and fair view, they should contact the Department and their auditor. Stephen Fitzgerald (Section 151 Officer) wrote to the Department and BDO on the 26<sup>th</sup> November setting out the limitations in the draft accounts in presenting a true and fair view.

### **3.0 Minute Extract – Full Council – 26 September 2024**

3.1 Below is an extract from the minutes of Full Council held on 26 September 2024:

#### **“10. ANNUAL ACCOUNTS 2019/20, 2020/21 AND 2021/22 WBC24-038.**

The Portfolio Holder for finance and economy, Councillor Dale Roberts, introduced the report on the Authority’s draft accounts for the years 2019/20, 2020/21 and 2021/22. It was noted that nationally, the number of local authorities with outstanding audits and failing to publish accounts within prescribed deadlines had been growing. At the same time, the complexity of the Borough Council’s accounts and a lack of sufficient resources had added to the delays on the accounts.

The Members were advised that the accounts presented were the single entity accounts for the Council. The group accounts, which would include the activities of the Council owned companies, would be prepared for 2022/23 and 2023/24 and made available once completed. The last fully audited accounts, including group accounts, were those for 2018/19, with fully audited company accounts available on the Companies House website.

The accounts had been reviewed by the Audit and Governance Committee and the Vice-Chair of the Committee read out a statement on behalf of the Members of the Committee as follows:

‘The Financial Statements for the years 2019/2020, 2020/2021 and 2021/2022 were reviewed and noted by the Governance and Audit Committee on 29/07/2024. A number of questions and concerns were raised at that meeting regarding our confidence in the accounts as presented and in particular the covering statement made by the then Section 151 Officer to the accounts for 2019/2020. We now know a number of the statements in the 2019/2020 accounts cannot be validated.

- Paragraph 142 of the Commissioners’ Report of May 2023 noted the challenge to the Minimum Revenue Provision. Subsequently, the Capitalisation Directive included 360 million for MRP adjustment for previous years
- The Housing Revenue Account and General Fund are to be restated as per the presentation to the Executive on 12<sup>th</sup> September 2024.
- Section 4.12 of the 2019/2020 accounts states that:

*The Prudential Code enables a Local Authority to borrow to such an extent as the Authority considers appropriate within a range of indicators that sets itself. It is therefore possible to invest to the level that is affordable, prudent and sustainable taking into account the level of income including Council Tax and Housing Rents.*

- In Section 10.1 it is claimed:

*The Council's overall financial performance in 2019/20 was good*

We now know the debt was unaffordable and the financial performance was not good. Subsequent events have proven the borrowing was neither prudent nor sustainable and some of that borrowing was for revenue purposes and contravened PWLB regulations. There are similar issues with the financial statements pertaining to the 2 subsequent years, 2020/2021 and 2021/2022. Any publication of these accounts must give equal prominence to these considered opinions as is given to those of the S151 Officer.'

The Portfolio Holder thanked the Members of the Audit and Governance Committee for their considered comments and noted that much work would still need to be done before the Council would be able to get an unqualified signoff by auditors. Attention was drawn to the recommendations set out in the report, and it was noted that Members were only being asked to note the accounts at this stage.

RESOLVED That

- That (i) the annual accounts for 2019/20, 2020/21 and 2021/22, as noted by the Audit and Governance Committee on 29 July, be noted and referred to the Council's external auditors for their audit opinion;
- (ii) the signing off of the accounts by the Council's Strategic Director for Finance and Section 151 Officer be noted, with the caveat that they are based on the best information available and the policies and conventions in place for the year that the specific accounts refer to; and
- (iii) it be noted that the issues concerning bad debt on investments in group companies identified in the June 2023 Section 114 Notice and Capitalisation Direction will be dealt with in the 2023/24 accounts which are planned to be presented to the Council later in the year along with those for 2022/23."

## **4.0 Implications**

### Legal

- 4.1 The Statement of Accounts are a statutory document. The Local Government Act 2003 (section 21) enables the Secretary of State to issue regulation on the preparation and publication of accounts for local authorities, which is fulfilled by the Accounts and Audit Regulations 2015 (as amended). The requirements are that:
- (i) Every council must prepare a statement of accounts in accordance with the Regulations and proper accounting practices.
- (ii) These statements must include a narrative statement (also known as the narrative report) which comments on the Council's financial performance and the economy efficiency and effective in its use of resources over the financial year.

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- (iii) The Chief Financial Officer (the Section 151 Officer/[CFO]) must sign and date the accounts and so confirm that they are satisfied that they provide a true and fair view of the Council's finances.
- (iv) The Council must ensure that there is a period of public consultation.
- (v) After the period of public consultation, the Statement of Accounts should be considered by Full Council for them to discuss and approve the statements. The statements must then be signed and dated to this effect.
- (vi) The Council must publish the annual Statement of Accounts, the narrative statement and the annual governance statement, together with any external audit opinion (reg 10(1)) by a specified date. This requirement is usually fulfilled via the council's website. Alternatively, where the Statements are not yet available for publication, an explanation of why the Council has not been able to comply with this requirement must be published (sec 10(2)).

4.2 The Council's Audit and Governance Committee has an essential role in overseeing the submission of accounts for audit and the work of the external auditor. It will liaise with the Council's CFO to ensure that future unaudited Statements are prepared on time, and it is good practice for the unaudited statements to be discussed at the Committee in advance of them being forwarded for audit. Whilst the Statement of Accounts is "owned" by the full Council the Audit Committee have a vital role in demonstrating corporate ownership and governance over the accounts preparation process and their subsequent audit but there is no legal requirement for them to be approved by anyone other than the Council's CFO.

### Resources (including finance)

- 4.3 Whilst the finance implications are explicit within this report, the publication and subsequent validation of annual accounts helps to inform effective decision making across the organisation, and assists in discussions with central government over exceptional financial support.
- 4.4 There is a risk that even with Full Council approval on 12 December 2024, the achievement of the backstop date is dependent upon the External Auditor (BDO) discharging their audit responsibilities.

## **5.0 Supporting Documents**

### Appendices

Appendix 1 – Statement of Accounts 2019/20

Appendix 2 – Statement of Accounts 2020/21

Appendix 3 – Statement of Accounts 2021/22

**Report Ends**