

## **UPDATE ON THE TIMING OF THE EXTERNAL AUDIT OF THE COUNCIL'S STATEMENT OF ACCOUNTS 2022/23**

**To:**

Civic Affairs Committee 05/07/23

**Report by:**

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**Wards affected:**

All

### **1. Introduction / Executive Summary**

The deadline for the publication of the Council's audited accounts for the 2022/23 financial year is 30 September 2023. However, there is a backlog of external audit work across local government as a whole. This report presents two letters received from the Council's external auditors, Ernst & Young (EY), firstly setting out their position on planning for local authority 2022/23 audits, and secondly on the transition to, and delivery of, audits under the new contract which will commence with the 2023/24 audits.

Mark Hodgson, the EY partner responsible for the Council's audit will attend the meeting to update the Committee on the current position with regard to the Council's 2022/23 audits.

### **2. Recommendations**

Members are asked to note the contents of this report and appendices.

### 3. Background

There are considerable delays in the publishing of audited local authority accounts. However, by careful planning and working together the Council and EY met the publishing deadlines for 2020/21 and 2021/22.

The table below, produced by Public Sector Audit Appointments (PSAA), provides a snapshot of audits outstanding as of 30 November 2022, the deadline for publishing audited accounts for 2021/22.

#### Audit Opinions data 2015/16 to 2021/22

<b>Audit year Publishing date</b>	<b>Number of opted in bodies</b>	<b>Percentage of audits complete by publishing date</b>	<b>Number of audits by oldest year outstanding</b>	<b>Number of audits outstanding per financial year</b>
2021/22 30 Nov	467	12%	250	411
2020/21 30 Sep	474	9%	116	161
2019/20 30 Nov	478	45%	35	45
2018/19 31 Jul	486	57%	7	10
2017/18 31 Jul	494	87%	2	3
2016/17 30 Sep	497	95%	0	1
2015/16 30 Sep	497	97%	1	1

As at 30 November 2022



By 31 March 2023 120 (26%) of bodies had published their audited 2021/22 accounts. These statistics are a result of challenges within the local audit system, as described in the EY letter of 13 March 2023 (**Appendix A**). This letter sets out EY's strategy for addressing their backlog of audits and the consequences for the Council's 2022/23 audit:

*'Taking all of this together, our view is that we will not be in a position to commence any 2022/23 financial year audits before the 1 November 2023 at the absolute earliest, and this date would be dependent on our ability to*

*conclude the remaining 2021/22 audits, and any outstanding prior year audits before that date. We are reviewing our plans to work through this segment of work, so we can give you a better indication of the timing of your 2022/23 audit, probably in the early summer.'*

A second letter from EY, dated 31 March 2023, updates the situation, with particular reference to the transition to the new audit contract (**Appendix B**). EY will continue as the City Council's auditor under the new contract, so information relating to the transition from one auditor to another is not applicable. However, the letter refers to the impact on audits under the existing contract, such as the council's 2022/23 audit 'extending through 2024'.

*'As part of our continued resource management and planning for the transition between the PSAA contracts we are estimating that our expected delivery of audits under the existing contract (i.e. those relating to 2022/23 and earlier years) will extend through 2024. There are a number of factors that will continue to impact this estimated timeline.'*

## **4. Implications**

### **a) Financial Implications**

There are not expected to be any direct financial implications of the failure to publish audited accounts by the statutory deadline of 30 September 2023. However, long delays could impact on the Council's ability to raise finance from sources other than the PWLB, as lenders would expect to see recent audited accounts as part of their due diligence.

### **b) Staffing Implications**

Depending on the timing of the audit, finance teams and others who work with and provide information to the external auditors will be committed to other tasks, such as supporting the budget-setting process. There is a risk that other important tasks are delayed due to the audit, and that considerable pressure is placed on teams as a result.

### **c) Equality and Poverty Implications**

None.

### **d) Net Zero Carbon, Climate Change and Environmental Implications**

None.

**e) Procurement Implications**

None.

**f) Community Safety Implications**

None.

**5. Consultation and communication considerations**

Statutory notices relating to the publication of the statement of accounts will be posted on the council website as required.

**6. Background papers**

No background papers were used in the preparation of this report.

**7. Appendices**

**Appendix A:** Letter from EY 13 March 2023 - Planning for 2022/23 financial year audits

**Appendix B:** Letter from EY 31 March 2023 - Local Audit market update

**8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Caroline Ryba, Chief Financial Officer, tel: 01223 - 458134, email: [caroline.ryba@cambridge.gov.uk](mailto:caroline.ryba@cambridge.gov.uk).