



Chelmsford City Council Audit and Risk Committee

26 February 2025

Audit Results Report 2023/24

Report by:

Accountancy Services Manager, Section 151 Officer

Officer Contact:

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Purpose

The purpose of this report is to seek Members' approval for the Council's Statement of Accounts for 2023/24 and to draw the Committee's attention to the findings to date of the Council's external auditors, Ernst & Young on those accounts.

Recommendations

1. Verbal update from the Accountancy Services Manager, Section 151 Officer be noted,
2. The draft Audit Results Report to be noted,
3. Approve the Statement of Accounts 2023/24 (Appendix 2),
4. That authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

1. Background

- 1.1. The Council published the draft statement of accounts by 31st of May, in accordance with the Council's legal duties under the Accounts and Audit regulations 2015. This includes meeting the requirements for public access to, and inspection of, the accounts.
- 1.2. There is a national backlog of audits caused by various factors including lack of available resources within the audit and local authorities finance sector and increased regulator expectations on auditors.
- 1.3. For financial year 2022/23 just one percent of local bodies published their audited accounts on time.
- 1.4. To address this crisis, the Government has introduced and put into legislation backstop dates for financial years 2023/24 to 2027/28 that represent hard deadline, by which the auditors must issue an opinion on the accounts and the final accounts must be published. For 2023/24 financial year the backstop date is 28 February 2025.
- 1.5. Auditors, if they unable to complete their work on time, can publish a disclaimed audit opinion. This enables the auditor to identify areas of the Council's finances that have been subject to audit and those that have not. It is hoped this will enable auditors to gradually over a number of years return to a full audit.
- 1.6. At Chelmsford, 2021/22 and 2022/23 financial years both received a disclaimer opinion from our previous external auditor, BDO LLP. This means that our new auditors, Ernst & Young (EY) LLP do not have assurance those years are correct. This requires EY to rebuild the assurance of opening balances, which will require additional work loads.

2. Accounts Results Report and next steps

Accounts Results Report

- 2.1. The auditors are still completing partner reviews, so the audit is not yet fully complete. They have prepared a Draft Audit Results Report, attached at Appendix 1, and will notify the committee of any updates at the meeting.
- 2.2. The report includes the external auditor's conclusions to date on the audit of the 2023/24 financial year.
- 2.3. The auditors are unable to complete a full audit and will offer a disclaimed opinion. The report identifies the issues that prevented the completion of the audit, but as previous audits were not completed and this year being the first

year of a new auditor, it was not unexpected that the audit opinion would be anything other than disclaimed.

- 2.4. On the areas of the accounts that have been reviewed by the auditor, no significant weaknesses or material uncorrected errors have been identified at this stage and officers are not expecting any new material issues to arise after publication.
- 2.5. The auditors will provide a separate “value for money” commentary on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. This commentary will be in the Auditor’s Annual Report, which will be brought to the next audit committee meeting.

Next steps to Approve Accounts

- 2.6. Following consideration of the auditor’s draft Audit Results Report, the Committee will be asked to approve the Statement of Accounts for publication, alongside the previously approved Annual Governance Statement.
- 2.7. As the audit reviews were still ongoing at the time of this report’s publication, there may be further amendments necessary to the accounts. We will provide an update at the committee meeting.
- 2.8. It is recommended that delegation is made to the Chair of the Audit and Risk Committee, in consultation with the Accountancy Services Manager (s151), to approve amendments following the meeting. Final publication of the Accounts will then take place on receipt of the signed audit opinion.

Letter of Representation

- 2.9. It is recommended that delegation is made to the Chair of the Audit and Risk Committee, in consultation with the Accountancy Services Manager (s151), to approve responses to be included in the Letter of Representation, which is requested by the auditors to provide assurance about information contained within the Statement of Accounts, once all the audit work is complete.

Future audits

- 2.10. It is apparent that the audit sector will take several years to resolve the backlog. The backlogs arose as auditors were unable to complete normal audit works in a timely manner. The problem is now worse as assurance over opening balances (prior years) will add a significant additional workload, whilst normal audit work must be delivered.
- 2.11. Officers will work closely with the auditors to provide as much assistance as is reasonable. As, EY are a new auditor to the Council, this will include officers reviewing if any changes in the production of working papers is needed to reflect EY’s working practices.
- 2.12. To efficiently return to full audits a robust plan from the auditors will need to be agreed with officers and presented to Committee. Without an agreed plan there is high likelihood that the Council will not be able to provide sufficient resources to respond to the auditors in a timely manner. It must be highlighted

that the relatively small finance team currently has to respond to new and large additional workloads including responding to the audit of multiple prior years, significant changes to Government funding and Local Government Reorganisation.

3. Conclusion

3.1. Based on the reported findings of the external auditor, the Council is expected to achieve a disclaimed audit opinion on its Statement of Accounts.

List of appendices:

Appendix 1 Ernst & Young – Audit Results Report – Year ended 31 March 2024

Appendix 2 Statement of Accounts 2023/24

Appendix 3 Letter of Representation

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

The Statement of Accounts have been prepared in line with Cipfa's Code of Practice on Local Authority Accounting, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit Regulations 2015, as amended. The Audit Completion Report has been prepared in accordance with the provisions of the International Standard on Auditing (ISA) 260 and the Local Audit and Accountability Act 2014, which requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts.

Financial:

The Statement of Accounts 2023/24 sets out the financial position of the Council for the year, including key transactions and balances and associated explanatory notes. The Audit Completion Report provides an independent view of the true and fair nature of the accounts. Without a full audit being undertaken, the Council does not independent assurances on its finances.

Potential impact on climate change and the environment:

N/A

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

Consideration of risk is an important part of the management of the Council's financial resources, as well as being a key part of the audit planning process and delivery of the audit opinion.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

Consultees:

N/A

Relevant Policies and Strategies:

The Statement of Accounts are the financial representation of the operation of all of the Council's Policies and Strategies throughout the year. The Accounting Policies which shape the Statements are set out in the notes to the Statement of Accounts. Other key strategies considered as part of the Accounts and auditors' report include:

Medium-Term Financial Strategy

Treasury, Capital and Investment Strategy

Risk Management Strategy
