

Non-Executive Report of the:  <b>Audit Committee</b>  23 November, 2023	
<b>Report of:</b> Julie Lorraine, Corporate Director - Resources (Section 151 Officer)	<b>Classification:</b> Unrestricted
<b>Timetable for the Accounts for 2020/21 – 2022/23</b>	

<b>Originating Officer(s)</b>	Tim Harlock, Interim Head of Strategic Finance – Chief Accountant
<b>Wards affected</b>	All wards

### Executive Summary

The Council has experienced great difficulty in recent years in completing the proper processes with regards to its financial accounts, resulting in a backlog of historical accounts that need to be completed.

Therefore, senior Finance management, although recognising the benefit of having a financial position that has been fully audited, consider that under these exceptional circumstances it will be in the greater public interest to accelerate the production of accounts, in order to clarify and confirm the baselines of available resources again. Once the 2018/19 and 2019/20 accounts are approved, Tower Hamlets will not be exceptional in having three years of accounts still incomplete – there are many other councils in this position too.

In order to address this deficiency, officers have drafted an action plan to accelerate the production of accounts for the historical backlog.

This report presents that timetable and identifies some risks, with the associated consideration of senior Finance management.

### Recommendations:

The Audit Committee is recommended to:

1. Note the Council's anticipated action plan.

## 1. REASONS FOR THE DECISIONS

1.1 No decision required.

## 2. ALTERNATIVE OPTIONS

2.1 Alternative options may emerge from announcements due from central government over the coming months, and officers will keep a watching brief to ensure an optimised solution for the Council.

## 3. DETAILS OF THE REPORT

3.1 Members will be aware that the Council has experienced great difficulty, since 2016/17, in getting its financial accounts through to completion of all the associated proper processes. (The certificates for 2016/17 and 2017/18 accounts were finally issued in March 2023).

3.2 Delays in producing financial accounts and getting audit sign-off could lead to knock-on effects on the quality of the financial management, and possibly result in sub-optimal decision-making; and clearly, the greater the number of years outstanding since accounts were last completed, the greater the risk of errors arising in financial management.

3.3 Therefore, senior Finance management consider that it will be in the greater public interest to accelerate the production of accounts, in order to clarify and confirm the baselines of available resources again.

3.4 The plan to achieve that is as follows:

- The 2018/19 and 2019/20 accounts were required to have been published in their final, audited, version some four and three years ago respectively; *it is anticipated at the time of writing that they will be approved in November 2023*
- The 2020/21 accounts were required to have been published in their final, audited, version some two years ago; *it is planned that they will be re-published by 31<sup>st</sup> December 2023*
- The 2021/22 accounts were required to have been published in their final, audited, version one year ago; *it is planned that they will be published by 31<sup>st</sup> December 2023*
- Similarly, the audit of the 2022/23 accounts should have been completed by 31<sup>st</sup> July 2023; *it is planned that they will be published by 31<sup>st</sup> January 2024*

- 3.5 The context of this action plan is against a backdrop of a national problem in completing accounts and their audits to the deadlines set by the statutory timetable, to the extent that there is a substantial backlog of accounts relating to the last three years. Indeed, for 2022/23 only 1% of English councils managed to meet the statutory deadlines.
- 3.6 Central government has recognised there is a systemic problem and over recent months has been in informal consultation with relevant stakeholders, including the audit firms, to understand the issues, and most importantly to find a way to catch up. Their intention is to begin implementing changes following further engagement.
- 3.7 The plan as presented in paragraph 3.4 is to enable this Council to seize the initiative, in a decisive move, that will facilitate a transition to normality in terms of production of the accounts for 2023/24 onwards.
- 3.8 It should be recognised that there are also some risks to this approach, but senior management consider them acceptable and proportionate in view of the greater public interest benefit. These risks to this approach are principally:
- There are some disclosures where the 2018/19 and 2019/20 accounts received qualifications; these are notes of an informational nature (regarding remuneration of officers, and related party transactions) where, due to time constraints, comprehensive collation of all required data could either not be achieved, or satisfactorily demonstrated; it is possible that these shortcomings will not be better addressed until 2023/24, but these disclosures are very unlikely to impact on financial management and decision-making for the Council.
  - Due to time constraints, there will not be time to prepare group accounts; officers consider this will have negligible impact on the quality of financial management and decision-making for the Council.
  - More substantially, we know that information on scheme members feeding into our actuarial valuations is flawed in some respects; further work is required in order to improve the quality of this data, but it might take some months yet to complete. Therefore, the consideration applied is that we shouldn't hold up everything else, and the correlating benefits, for this one item.
  - Taken together with the widely expected government initiative to catch up on the historical backlog of accounts, we don't know precisely how auditors will respond. It is possible, or indeed likely, that audit firms will not have time to perform satisfactory audits and will therefore issue "disclaimers" up to the year, yet to be decided, when a true-up is required (ie a return to normal full audits).

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no equalities implications arising from this report.

#### **5. OTHER STATUTORY IMPLICATIONS**

5.1 Approval of the Accounts, once Members are satisfied, is a statutory responsibility that falls to Audit Committee.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 This whole report presents matters that are directly concerned with fulfilment of the role and responsibilities of the s151 officer.

#### **7. COMMENTS OF LEGAL SERVICES**

7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial year starting in 2019, not later than 30 November. These dates have not been kept, as noted in the report.

7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.

7.3 This report demonstrates the Council's efforts to comply with the above legislation.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- Various updates provided to this committee since July 2019 from both Deloitte and officers.

#### **Local Government Act, 1972 Section 100D (As amended) List of "Background Papers" used in the preparation of this report**

#### **Officer contact details for documents:**

Tim Harlock – Interim Chief Accountant