

## AUDIT COMMITTEE

9 DECEMBER 2024

### REPORT OF DIRECTOR (FINANCE & IT)

#### A.1 EXTERNAL AUDITOR'S PLANNING, COMPLETION AND ANNUAL REPORTS RELATING TO 2020/21, 2021/22 AND 2022/23

##### PART 1 – KEY INFORMATION

###### PURPOSE OF THE REPORT

To present for consideration and approval the following, to enable final opinions on the accounts and value for money arrangements to be formally issued by the External Auditor:

- The External Auditor's Updated Audit Completion Report relating to 2020/21.
- The External Auditor's Combined Audit Planning and Audit Completion Reports relating to 2021/22 and 2022/23.
- The External Auditor's Combined Annual Report for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.
- The Council's Statement of Accounts (including the Annual Governance Statements) for 2020/21, 2021/22 and 2022/23 for consideration and approval for publication by the backstop date of 13 December 2024.

###### EXECUTIVE SUMMARY

- In-line with the backstops dates previously discussed, the Council's External Auditor has substantially completed the necessary audit work associated with 2020/21, with their associated Audit Completion Report attached, which includes a management representation letter for approval by the Committee.
- Also, in-line with the backstop dates mentioned above, the Council's External Auditor has also issued their Audit Completion Reports relating to 2021/22 and 2022/23. These are included together with their audit planning responsibilities / activities, with combined completion and planning reports therefore provided for both these respective years.
- As set out elsewhere in this report, the External Auditor anticipates issuing a modified opinion for 2020/21 and a disclaimer opinion for both 2021/22 and 2022/23.
- As set out later in this report and within the attached External Auditor's reports, the reason for the disclaimer opinions in both 2021/22 and 2022/23 relate to the back stop dates.
- The back stops dates have also contributed to some extent to the modified opinion anticipated for 2020/21, as it has not been possible for the External Auditor to undertake any additional assurance work relating to two matters.
- The Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 are

attached, which reflect any necessary amendments agreed in consultation with the External Auditor.

- In respect of 2020/21, the External Auditor has highlighted a number of recommended adjustments. It is not proposed to make the associated changes as they are not deemed to be material.
- This report also sets out the External Auditors Combined Annual Audit Report, which summarises the above along with providing their value for money commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The outcome provides a very positive view on the Council's arrangements and provides welcomed independent assurance on related matters.
- Subject to the Committee's consideration of the various attached reports, and approval of the Statement of Accounts for 2020/21, 2021/22 and 2022/23 (including the Annual Governance Statements) it is proposed to publish the Accounts for all three years by the backstop date of 13 December 2024.

## **RECOMMENDATIONS**

**1. That in respect of the 2020/21 Statement of Accounts and the associated Updated External Auditor's Audit Completion Report for the year ended 31 March 2021, the Audit Committee:**

**(a) Considers and notes the contents of the report;**

**(b) subject to 1(a) above, approves the management representation letter set out on Pages 33 to 35 of the External Auditor's Updated Audit Completion Report for the year ended 31 March 21;**

**(c) subject to 1(b) above, authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor;**

**(d) subject to 1(b) and 1(c) above, approves for publication the audited Statement of Accounts for 2020/21 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A18 of the same attachment.**

**2. That in respect of the 2021/22 Statement of Accounts and the associated External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2022, the Audit Committee:**

**(a) Considers and notes the contents of the report;**

**(b) subject to 2(a) above, approves the management representation letter set out on Pages 23 to 25 of the External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2022;**

**(c) subject to 2(b) above, authorises the Director Finance & IT and the Audit**

Committee Chairman to sign the management representation letter for forwarding to the External Auditor;

(d) subject to 2(b) and 2(c) above, approves for publication the audited Statement of Accounts for 2021/22 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A23 of the same attachment;

3. That in respect of the 2022/23 Statement of Accounts and the associated External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2023, the Audit Committee:

(a) Considers and notes the contents of the report;

(b) subject to 3(a) above, approves the management representation letter set out on Pages 23 to 25 of the External Auditor's Combined Audit Planning and Completion Report 2022/23;

(c) subject to 3(b) above, authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor;

(d) subject to 3(b) and 3(c) above, approves for publication the audited Statement of Accounts for 2022/23 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A25 of the same attachment;

4. That the Audit Committee considers and notes the contents of the Combined Auditor's Annual Report for the years ended 31 March 2020, 31 March 2021 and 31 March 2022 including the value for money commentary set out on Pages 7 to 17 of that report.

#### **REASON(S) FOR THE RECOMMENDATION(S)**

To conclude the Statement of Accounts Process for 2020/21 and 2021/22 and 2022/23 and to enable the publication of the audited accounts for all three years by the backstop date of 13 December 2024.

#### **ALTERNATIVE OPTIONS CONSIDERED**

Not applicable.

## **PART 2 – IMPLICATIONS OF THE DECISION**

#### **DELIVERING PRIORITIES**

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting these key objectives. The outturn position and associated Statement of Accounts reflects this process and supports

the successful financial planning process which includes communicating and consulting with relevant stakeholders.

### **LEGAL REQUIREMENTS (including legislation & constitutional powers)**

The Government has now put arrangements in place to clear the backlog of outstanding historical audit opinions. Although these arrangements are referenced within the attached External Auditor's Reports where necessary, a detailed background is set out below for completeness.

On 30 July, The Government set out proposals to tackle the backlog, which included setting a backstop date of December 2024 to clear the backlog of unaudited accounts up to and including the financial year 2022/23. This aimed to enable the system to refocus on recent accounts where assurance is most valuable. There are also five further backstop dates up to and including the financial year 2027/28 to allow assurance to be rebuilt over several audit cycles.

The Government laid before Parliament two pieces of legislation that would give effect to these proposals: the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), a Code of Audit Practice 2024.

The Accounts and Audit (Amendment) Regulations 2024 came into force on 30 September 2024, which removed the current requirement to publish audited accounts for financial year 2023/24 on that date. The deadline for the publication of audited accounts for 2023/24 will, instead, be 28 February 2025 to coincide with the second backstop date. The Regulations also amend the date by which bodies should publish draft (unaudited) accounts to 30 June for financial years 2024/25 – 2027/28. Auditors are now required to produce timely audit opinions (which may result in the issue of a disclaimed or modified opinion).

It is acknowledged that issuing modified or disclaimed audit opinions where audits cannot be completed by a backstop date may be uncomfortable for stakeholders, including Local Authorities themselves. However given the scale of the backlog and the absence of viable alternatives, the Government took the difficult decision to proceed with the backstop date approach highlighted above.

It is important to highlight that the Government recognised the measures as exceptional in nature and that local bodies should not be unfairly judged based on disclaimed or modified opinions, caused by the introduction of backstop dates that are largely beyond their control.

Auditors are therefore expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

To support auditors in meeting their responsibilities under the Code of Audit Practice, the NAO has issued specific guidance, endorsed by the Financial Reporting Council (FRC) on implementing the reset and recovery of local audit in England. This guidance sets out the public interest considerations that require auditors to act in ways that enable a return to the completion of audits on a timely manner whilst complying with professional standards.

The Government is clear that a proportionate approach to the rebuilding of assurance, once the backlog is cleared, is required by auditors - and all system partners including the

FRC, NAO and auditors, are aware that this is the Government's objective.

The Government highlighted that in order to comply with the regulations, and to help auditors deliver opinions, any local body that has not yet done so should publish their unaudited accounts (including financial statements, the annual governance statement and narrative statement) and hold the 30-day public inspection period for all years up to and including 2023/24 as soon as possible. This Council had undertaken all of these tasks by the original annual deadlines covering all four years - 2020/21 to 2023/24.

It is recognised that the recovering from the backlog is a shared endeavour between auditors and local bodies. Local Authorities therefore have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The Council has and will continue to work both proactively and pragmatically with the External Auditor to achieve the necessary recovery from the audit backlog.

In terms of the financial statements, they include the following (in addition to explanatory disclosure notes):

- the opening balances brought forward from the prior year which includes cash, general fund and ringfenced reserves, and the property valuation at the start of the year;
- the closing balances which include cash, general and ringfenced (e.g. Housing Revenue Account) fund reserves and the property valuation at the end of the year;
- the in-year expenditure, income, reserves, and cash flow movements; and
- the comparative figures from the prior year.

In terms of the audit process, the objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

The Financial Reporting Council (FRC) have produced a helpful document setting out details around the types of opinion that can be given, with a relevant summary as follows:

An unmodified opinion is classed as a 'clean' opinion or one that has historically been referred to as an unqualified opinion.

A modified opinion covers a range of scenarios, with the following setting out the types of modified opinion that can be given:

	<b>Material but not pervasive</b>	<b>Material and pervasive</b>
Financial statements are materially misstated	Qualified Opinion	Adverse Opinion
Auditor is unable to obtain sufficient evidence to conclude on whether the	Qualified Opinion	Disclaimer Opinion

financial statements are materially misstated		
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The following sets out the sequence of subsequent events based on the opinion given in the prior year:

***In an audit following an unmodified opinion*** - In an audit following an unmodified, or 'clean', opinion, the auditor normally relies on the prior year audit for reasonable assurance over the opening balances brought forward from the prior year (the prior year's audited closing balance); and the comparative figures.

Therefore, during an audit following an unmodified opinion, the auditor performs testing to obtain reasonable assurance over the closing balances such as cash, general fund reserves and the property valuation at the end of the year being audited and the in-year expenditure, income, reserves and cash flow movements.

***In an audit following a disclaimed opinion*** - In an audit following a disclaimer, the auditor will not have assurance over the opening balances brought forward from the prior year and the comparative figures.

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves movements without assurance over the opening balances.

***Rebuilding assurance*** - In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year. A recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year. It is anticipated that many bodies that received disclaimers in 2022/23 will follow a similar cycle to that shown in the table below. However, this will depend on individual circumstances and it may take longer for auditors to rebuild assurance on some bodies, especially those with underlying weaknesses in financial reporting.

Audit Year	Opinion	Reason
2023/24	Disclaimer	<p>The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date.</p> <p>They have not obtained sufficient evidence to have reasonable assurance over closing balances.</p> <p>The auditor does not have assurance over the brought forward balances from 2022/23. This means they do not have assurance over the in-year movements. They also do</p>

		<p>not have assurance over the comparative prior year movements.</p> <p>The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.</p>
2024/25	Disclaimer	<p>The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25.</p> <p>The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements.</p> <p>They also do not have assurance over the comparative prior year movements.</p> <p>The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.</p>
2025/26	Qualified	<p>The auditor has assurance over the opening and closing balances plus in-year movements.</p> <p>The auditor does not have assurance over the comparative figures.</p> <p>The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures</p>
2026/27	Unmodified (unqualified)	<p>The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.</p>

Based on the above approach, the aspiration of all local audit system partners including the Government is that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026).

Auditors and audited bodies should work together to agree jointly-owned delivery plans for each year's audit to enable this.

Audit firms will design their own approaches which may differ between individual firms and audited bodies with relevant factors including:

- Audit opinion for 2022/23 and earlier years.
- Nature and complexity of the audited bodies' transaction streams and balances.
- The auditor's previous experience of the audited body.
- Ability of the audited body to provide high quality audit evidence.
- Firm-wide audit methodology.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates.

In early discussion with the Council's current Auditors KPMG, it is expected that they will set out their approach based on the above, which will include a clear and transparent pathway when they provide their own Audit Reports to the Committee in 2025.

***The auditor's opinion*** - The nature of the audit opinion in each financial audit cycle will depend on the professional judgement of the auditor, and the evidence available to support the opinion given. The auditor is required to disclaim their opinion if they are unable to gather sufficient evidence to conclude whether the financial statements are free from material misstatement (error).

A disclaimer of opinion does not mean that the auditor has not carried out any work. Even where an auditor has disclaimed or modified their opinion, an auditor may consider if they can assure individual balances or classes of transactions to support rebuilding assurance on a timely basis. Key to the success of this plan is effective communication between the auditor and the audited body, including its Audit Committee.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for modified or disclaimed audit opinions in their reports. This includes making it clear where the modified or disclaimed opinion has been caused by the statutory backstop dates. Local bodies should therefore not be unfairly judged for modified or disclaimed opinions that are beyond their control.

The measures have been designed to enable any limitation of scope of the audit to be caused by the system-imposed backstop and not by the actions of management, as the latter may lead to significant consequences for a local body.

In terms of value for money, the Code of Audit Practice requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards. However, as set out within the External Auditor's Combined Annual Report (Attachment 7) a reduced scope has been carried out to date as permitted for prior years. From 2024/25 onwards, auditors will be required to issue their annual auditor's report containing the VFM commentary each year by 30 November. This has been designed to ensure that, even where the financial audit opinion is disclaimed, the audit still provides useful information to audit committees and other stakeholders about the financial management and financial sustainability of local bodies.



The requirement for auditors to report any significant weaknesses in VFM arrangements that they identify remains. The temporary changes introduced during Covid-19 to enable auditors to report significant weaknesses in VFM arrangements in the audit certificate or the audit opinion will remain until 2023/24. For 2024/25 auditors must report significant weaknesses in VFM arrangements in the audit opinion.

The closure of accounts process, the preparation of the Statement of Accounts and their subsequent audit, along with the arrangements to secure value for money, reflect the requirements and responsibilities of the Council.

## **FINANCE AND OTHER RESOURCE IMPLICATIONS**

### **Finance and other resources**

There are no direct financial implications with audit costs expected to be accommodated within existing budgets.

## **USE OF RESOURCES AND VALUE FOR MONEY**

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and

C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Detailed commentary on these matters is set out within the attached External Auditor's Annual Report.

## **MILESTONES AND DELIVERY**

The information and activities set out within this report enable the Council to conclude the Statement of Accounts Process for 2020/21 and 2021/22 and 2022/23 and to enable the publication of the audited accounts for all three years by the backstop date of 13 December 2024.

## **ASSOCIATED RISKS AND MITIGATION**

The preparation, reporting and publishing of the Statement of Accounts follows a prescribed programme with various milestones along the way. Against this backdrop, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process. This is in addition to key elements of work that need to be undertaken on an iterative process each year alongside the annual review of the Council's Governance arrangements, to ensure that the Council can continue to deliver positive value for money outcomes.

## **OUTCOME OF CONSULTATION AND ENGAGEMENT**

There is no requirement to seek consultation on this report. This is a public document to be presented to the Audit Committee.

## **EQUALITIES**

The Table of Outstanding Issues aims to deliver fairness, transparency and consistency to all customers and stakeholders.

#### **SOCIAL VALUE CONSIDERATIONS**

There are no direct implications.

#### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050**

There are no direct implications.

#### **OTHER RELEVANT IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

<b>Crime and Disorder</b>	Not applicable
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<b>Health Inequalities</b>	Not applicable
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<b>Area or Ward affected</b>	Not applicable
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#### **ANY OTHER RELEVANT INFORMATION**

There are no direct implications from this report. However in respect of equality and diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them electronically on the Council's website.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The pre-audited Statement of Accounts for all three years (2020/21, 2021/22 and 2022/23) were previously approved for publication by the Council's S151 Officer (Director Finance & IT).

The pre-audited Annual Governance Statement for all three years (2020/21, 2021/22 and 2022/23) were previously approved for publication by the Leader and Chief Executive.

For each of the three years (2020/21, 2021/22 and 2022/23), the required periods of public inspection were undertaken.

The Council's External Auditors are required to prepare an Audit Completion Report setting out the outcomes from their review of the Statement of Accounts (including the Annual Governance Statement) and the Council's value for money arrangements. The Audit Committee is required to consider the content of this annual report and approve for publication the final audited Statement of Accounts and Annual Governance Statement.

Due to the external audit delays, backstop dates have been agreed as highlighted earlier. With this in mind, this report therefore sets out the necessary reports for 2020/21, 2021/22 and 2022/23. For the latter two years, the reports are combined with the corresponding audit planning report, which would ordinarily have been presented to the Audit Committee

at the start of the year in question.

Draft management representation letters for each of the three outstanding years, which set out certain management representations are included within the External Auditor's Audit Completion Reports as follows:

**For 2020/21 – Pages 33 to 35 of Attachment 1**

**For 2021/22 – Pages 23 to 25 of Attachment 3**

**For 2022/23 – Pages 23 to 25 of Attachment 5**

The Audit Committee are required to separately approve these letters and authorise the Director Finance & IT and Audit Committee Chairman to sign them before they are forwarded onto the External Auditor.

In terms of the required Value for Money commentary from the External Auditor, this is set out in their combined Auditor's Annual Report set out as **Attachment 7**. As set out within the Auditor's report, the revised Code of Audit Practice 2024 allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements.

Once the above tasks are completed the External Auditor can conclude the audit process for each of the three outstanding years by finalising and formally issuing their audit opinion along with the certification of the accounts.

The next section of the report deals with each outstanding year in turn.

## **AUDIT COMPLETION REPORTS 2020/21, 2021/22 and 2022/23**

### **Updated Audit Completion Report for 2020/21**

The External Auditor's report is set out as **Attachment 1**. This provides an update to the draft report that has previously been presented to the Audit Committee.

At the time of finalising this report, the External Auditor anticipated issuing a qualified audit opinion (also referred to as modified opinion). As set out on page 27, the reason for issuing this opinion is due to the limitation imposed by the backstop date, with further assurance still required in connection with other land and buildings along with infrastructure assets. Further details relating to these two issues are set out on page 24. These items remain under review in consultation with the Council's new External Auditor to provide the necessary assurances from 2023/24 onwards.

The opinion provided by the External Auditor is effectively stating that there were no other issues identified apart from those set out within the report. This is an important distinction to make as the modified / qualified opinion is not a wider reflection on the rest of the Statement of Accounts for the year and there are various assurances provided by the External Auditor within their attached report such as those associated with the Annual Governance Statement.

Pages 18 to 20 set out a small number of unadjusted differences. The associated

adjustments have not been made as their impact was not deemed to be material.

Page 25 of the External Auditor's report also highlights some other 'deficiencies'. These have broadly been addressed in the intervening years, and they will be subject to further review in consultation with the Council's new Auditors as part of the audit process associated with the Statement of Accounts from 2023/24 onwards.

The Statement of Accounts (including the Annual Governance Statement) for 2020/21 are set out as **Attachment 2**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

### **Combined Audit Planning Report and Audit Completion Report for 2021/22**

The External Auditor's combined report is set out as **Attachment 3**. As highlighted on page 3 of that report, the background to combining the planning element and completion report element is highlighted, with the report therefore setting out a number of matters that would ordinarily have been set out separately as part of the audit planning phase.

In-line with the approach set out within the legal section above (and further discussed within **Attachment 3**), the External Auditor anticipates issuing a disclaimer of opinion in respect of the 2021/22 Statement of Accounts. As highlighted on page 6 of **Attachment 3**, due to the backstop dates, the External Auditor has not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. As a result, they are unable to conclude that Tendring District Council's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement.

The Statement of Accounts (including the Annual Governance Statement) for 2021/22 are set out as **Attachment 4**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

### **Combined Audit Planning Report and Audit Completion Report for 2022/23**

The External Auditor's combined report is set out as **Attachment 5**. Similarly to the points highlighted for 2021/22 above, this is also a combined report setting out the planning elements and completion report elements as necessary.

Similarly to 2021/22 and in-line with the approach set out within the legal section above (and further discussed within **Attachment 5**), the External Auditor anticipates issuing a disclaimer of opinion in respect of the 2022/23 Statement of Accounts for the same reasons highlighted for 2021/22 above.

The Statement of Accounts (including the Annual Governance Statement) for 2022/23 are set out as **Attachment 6**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

***As discussed earlier, the anticipated disclaimer of opinion for both 2021/22 and 2022/23 are not a reflection on the Council and it is hoped that this report along with that of the External Auditor and their associated opinion makes this point clear to the readers of the Council's Statement of Accounts.***

***It is also important to highlight that further assurance will be obtained from the work being undertaken by the Council's New External Auditor, with their necessary report on the Council's Statement of Accounts for 2023/24 planned to be presented early in 2025, ahead of the relevant backstop date of 28 February 2025. This will also include their commentary on the Council's value for money arrangements.***

**Auditor's Annual Report for years ended 31 March 2021, 31 March 2022 and 31 March 2023.**

The External Auditor's combined report is set out as **Attachment 7**. As highlighted on pages 3 and 4 of the attached report, it provides a summary of the key issues arising from the work of the External Auditor for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

Although it broadly covers the issues identified separately within the reports referred to above, it also sets out the External Auditors Value for Money commentary on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the first detailed commentary within the context of a revised approach as previously reported to the Audit Committee. It replaces the historic 'opinion' based approach with a more detailed and helpful commentary.

As highlighted within the attached report, a reduced scope has been applied for 2021/22 and 2022/23 in-line with associated National Audit Office guidance, with the work undertaken for 2020/21 exceeding this revised requirement.

The detailed value for money commentary is set out on pages 7 to 17. It sets out a number of important areas of the Council's work and demonstrates a strong and continually improving picture across the various value for money themes.

This is a very welcome position and hopefully provides Members with assurances, especially around the two key themes of financial sustainability and governance, given no such independent commentary has been provided in recent years due to the external audit delays.

Although highlighted on page 17 of the attached report, it is worth highlighting the following statement by the External Auditor:

*"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements. However, we have identified opportunities for the Authority to improve their arrangements and have made a recommendation accordingly"*

In respect of the recommendation referred to in the above statement, this is also set out on page 17 of the attached report along with confirmation that the associated matter was addressed in 2023.

To conclude the Statement of Accounts process for 2020/21, 2021/22 and 2022/23, the Audit Committee is required to consider the:

- Updated Audit Completion Report for the year ending 31 March 2021, approve the

management representation letter and approve the final Statement of Accounts for 2020/21.

- Combined Planning Report and Audit Completion Report for the year ending 31 March 2022, approve the management representation letter and approve the final Statement of Accounts for 2021/22.
- Combined Planning Report and Audit Completion Report for the year ending 31 March 2023, approve the management representation letter and approve the final Statement of Accounts for 2021/22.
- The Auditor's Annual report for the years ended, 31 March 2021, 31 March 2022 and 31 March 2023.

The Annual Governance Statements are included within the Statement of Accounts referred to in the bullet points above, and their approval along with seeking the necessary agreement to the Chief Executive and the Leader to sign it, are reflected in the recommendations above.

Subject to the agreement of the recommendations above and the completion of the External Auditor's outstanding work, the final Statement of Accounts for 2020/22, 2021/22 and 2022/23 will be published by the 13 December 2024 backstop deadline.

The External Auditor will be in attendance at the meeting to formally present their Audit Reports to the Committee.

#### **PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.**

Previous Draft Audit Completion Reports for 2020/21 have been presented to the Committee with the last one being in March 2023.

#### **BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

#### **APPENDICES**

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|---------------------|---|
| <b>Attachment 1</b> | External Auditor's Updated Audit Completion Report: Year ended 31 March 2021                            |
| <b>Attachment 2</b> | The Council's Statement of Accounts 2020/21 for Publication (Including the Annual Governance Statement) |
| <b>Attachment 3</b> | External Auditor's Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2022 |
| <b>Attachment 4</b> | The Council's Statement of Accounts 2021/22 for Publication (Including the Annual Governance Statement) |
| <b>Attachment 5</b> | External Auditor's Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2023 |
| <b>Attachment 6</b> | The Council's Statement of Accounts 2022/23 for Publication (Including the Annual Governance Statement) |

**Attachment 7** External Auditor's Audit Annual Report (Covering 2020/21, 2021/22 and 2022/23)

**REPORT CONTACT OFFICER(S)**

<b>Name</b>	<b>Richard Barrett</b>
<b>Job Title</b>	<b>Director (Finance &amp; IT)</b>
<b>Email</b>	<a href="mailto:rbarrett@tendringdc.gov.uk"><u>rbarrett@tendringdc.gov.uk</u></a>