



**Havering**  
LONDON BOROUGH

## AUDIT COMMITTEE

**3<sup>rd</sup> December 2024**

**Subject Heading:**

Statements of Accounts 2021/22 & 2022/23 and External Audit Reports to those charged with Governance

**ELT Lead:**

Kathy Freeman, Strategic Director of Resources

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**Policy context:**

Audit Committee responsible for approving accounts

**Financial summary:**

There are no financial implications arising directly from this report

### **The subject matter of this report deals with the following Council Objectives**

- |   |     |
|---|-----|
| People - Supporting our residents to stay safe and well       | [ ] |
| Place - A great place to live, work and enjoy                 | [ ] |
| Resources - Enabling a resident-focused and resilient Council | [X] |

### **SUMMARY**

This report presents the Audit Completion Report from Ernst and Young LLP on the 2021/22 and 2022/23 Statement of Accounts, together with the 2021/22 and 2022/23 Financial Statements for approval.

**RECOMMENDATIONS**

The Committee is asked to:

1. Consider the following External Auditor's reports in relation to the financial years 2021/22 and 2022/23:
  - Value for Money, Interim Report September 2024 (Appendix A)
  - Pension Fund Audit Results Report 2021/22 (Appendix B)
  - Pension Fund Audit Results Report 2022/23 (Appendix C)
  - Audit Completion Report for the years ending 31 March 2022 and 31 March 2023 (Appendix D)
2. **Approve** the Statement of Accounts for the financial year ended 31st March 2022 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix E).
3. **Approve** the Statement of Accounts for the financial year ended 31st March 2023 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix F).
4. **Approve** the draft Letters of Representations for Havering Council and Havering Pension Fund and delegate authority to the Section 151 Officer and Chair of the Audit Committee to update and sign on behalf of the Council once the audit opinions are provided (Appendix G and Appendix H).
5. **Approve** the 2021/22 and 2022/23 Annual Governance Statements, signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during both years (Appendix I and Appendix J).

**REPORT DETAIL**

**1. Introduction**

- 1.1. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. These accounts are required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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- 1.2. The Accounts and Audit Regulations 2015 require that the authority prepares and publishes its unaudited accounts by 31 May however, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 revised the statutory publication date for 2021/22 to 31 July 2022. This reverted back to 31 May for 2022/23.
- 1.3. Regulation 9(2) requires members to approve the Statement of Accounts that is to be published, either by meeting as a whole or through a committee.
- 1.4. After members have approved the Statement of Accounts, regulation 10 sets out the requirements for publication of an authority's accountability statements. These comprise of the Statement of Accounts together with the opinion and any certificate, the Annual Governance Statement approved by members and the Narrative Statement.
- 1.5. Over recent years Havering, like many local authorities, has experienced significant delays with the audit of its accounts. In England, the backlog of unaudited accounts reached unacceptable levels, with the number of outstanding opinions peaking at 918. At 30 September 2023 outstanding opinions were as follows:
  - Pre-2018/19 3 bodies (<1%)
  - 2018/19 at 10 bodies (2%)
  - 2019/20 at 34 bodies (7%)
  - 2020/21 at 106 bodies (22%)
  - 2021/22 at 303 bodies (65%)
  - 2022/23 at 462 bodies (99%)
- 1.6. To address the backlog, and following a period of consultation, the system leaders developed a solution involving 'backstop dates'. As a result, a large number of financial statements will be published with modified opinions. To mitigate any potential reputational risk and so that local bodies are not unfairly judged due to disclaimed or modified opinions, auditors will be expected to provide clear reasons for the issuing of such opinions.

## **2. Local Audit Backstop Arrangements**

- 2.1. The local audit backstop arrangements have been established to set dates by which an authority must publish a final version of its statement of accounts for a particular year, irrespective of the progress that has been made by the auditor.
- 2.2. There are three components which together provide a framework for the backstop arrangements for local authority financial statements:
  - amendments to the Accounts and Audit Regulations 2015
  - a new Code of Audit Practice, developed by the Comptroller and Auditor General

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- the National Audit Office’s Local Audit Reset and Recovery Implementation Guidance (LARRIGs)
- 2.3. The Financial Reporting Council (FRC) has issued an accessible guide explaining what the recovery process may look like in practice. This document can be found at Appendix K.
- 2.4. The Accounts and Audit (Amendment) Regulations 2024 were laid before parliament on 9 September 2024 and came into force on 30 September 2024. Regulation 9A establishes backstop dates for each financial year up to 2027/28:

<b>Financial Year</b>	<b>Statutory Backstop Date</b>
2022/23 and earlier	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.5. The regulations also amended the publication date of unaudited accounts to 30 June for financial years 2024/25 to 2027/28.

### **3. Statement of Accounts 2021/22 and 2022/23**

- 3.1. The Council published its draft 2021/22 Accounts on 29 July 2022 and published its draft 2022/23 Accounts on 31 May 2023, thereby adhering to the statutory deadlines for both years.
- 3.2. In accordance with the regulations, the accounts and supporting documentation were made available for public inspection from 1 August to 12 September 2022 and from 1 June to 12 July 2023, for the financial years 2021/22 and 2022/23 respectively. The relevant statutory public notices were published on the Council’s website.
- 3.3. The audit did not commence following the inspection period for either of the two financial years. This was due to several factors including, but not limited to, the delay in concluding the 2020/21 audit, ongoing pressures following the COVID-19 pandemic and resource constraints in both the audit and finance teams. This has resulted in unaudited financial statements for 31 March 2022 and 31 March 2023.
- 3.4. As it has not been possible for the Auditor to complete the audit of the Council’s accounts before the backstop date of 13th December 2024 they will be issuing a disclaimed opinion in respect of 2021/22 and 2022/23. Further details can be found in the Auditor’s Completion Report for Those Charged with Governance, at appendix D.

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- 3.5. The 2021/22 and 2022/23 Statements of Accounts for the Council, appended to this report, are unchanged from the draft versions previously published on the Council's website.
- 3.6. The Strategic Director for Resources (section 151 officer), although not at Havering Council during the two years of account, is satisfied that the accounts represent a 'true and fair' view of the financial position of the authority.
- 3.7. Should there be any audit adjustments required prior to the audit opinion, approval will be sought from the Section 151 Officer in consultation with the Chair of the Committee.
- 3.8. It is a requirement of International Auditing Standards for the Auditor to request a letter from the Council that sets out management representations for the main accounts and for the Pension Fund. Appendix G and appendix H include drafts of these letters that will be signed on behalf of the authority, by the Council's Section 151 Officer and the Chair of the Audit Committee.

### **4. Value for Money Assessment**

- 4.1. Despite the backlog in local audits the requirement for auditors to report any significant weaknesses they identify in value for money (VfM) arrangements remains. This is 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.
- 4.2. The auditor considered VfM for the two-year period 1 April 2021 to 31 March 2023 and their report is included as Appendix A.

### **5. Pension Fund Accounts 2021/22 and 2022/23**

- 5.1. The audits of the Pension Fund Accounts for the financial years 2021/22 and 2022/23 have been completed and the audited Pension Fund Accounts have been included in the Financial Statements for each year, Appendices E and F.
- 5.2. The corresponding Audit Results Reports can be found at Appendix B and Appendix C and the Auditor will attend the Audit Committee meeting to present their findings and update the Committee on any matters that may have arisen since the publication of their Audit Results reports.

### **6. Annual Governance Statements**

- 6.1. The Annual Governance Statement 2021/22 is attached at appendix I. It was approved by the Leader and Chief Executive of the Council in March 2023.
- 6.2. The Annual Governance Statement 2021/22 is attached at appendix J. It was approved by the Leader and Chief Executive of the Council in January 2024.

- 6.3. Under the Accounts and Audit Regulations 2015, publication of the annual governance statement follows the same timetable as the financial statements. In February 2024, recognising that many authorities had at least one set of unaudited financial statements relating to prior years, CIPFA issued guidance to affected local authorities in England on the publication of the annual governance statement.
- 6.4. The Annual Governance Statements for 2021/22 and 2022/23 have been reviewed and the committee are asked to approve them in accordance with the regulations.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are no direct financial implications arising from this report.

### **Legal implications and risks:**

There are no legal implications arising from this report other than those referenced within the body of the report.

### **Human Resources implications and risks:**

There are no direct human resources implications in this report.

### **Equalities implications and risks:**

There are no direct equalities implications in this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

## **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

None arising directly from this report.

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### **Appendices:**

Appendix A - Value for Money, Interim Report September 2024

Appendix B - Pension Fund Audit Results Report 2021/22

Appendix C - Pension Fund Audit Results Report 2022/23

Appendix D - Audit Completion Report for years ending 31 March 2022 and 2023

Appendix E - Statement of Accounts for the financial year ended 31st March 2022

Appendix F - Statement of Accounts for the financial year ended 31st March 2023

Appendix G - Draft Letters of Representations for Havering Council, 2021/22 (i)  
and 2022/23 (ii)

Appendix H - Draft Letters of Representations for Havering Pension Fund, 2021/22  
(i) and 2022/23 (ii)

Appendix I - Annual Governance Statement 2021/22

Appendix J - Annual Governance Statements 2022/23

Appendix K - Financial Reporting Council's (FRC) Accessible Guide: Local Audit  
Backlog Rebuilding Assurance