

Birmingham City Council



Report to Audit Committee

5 March 2025

Title:	UPDATE ON STATEMENT OF ACCOUNTS 2020/21, 2021/22, 2022/23 and 2023/24
Lead Cabinet Portfolio:	Councillor Karen McCarthy, Cabinet Member for Finance
Relevant Overview and Scrutiny Committee:	Corporate & Finance Overview and Scrutiny Committee
Report Author:	Fiona Greenway, Director of Finance and Section 151 Officer
Authorised by:	Fiona Greenway, Director of Finance and Section 151 Officer Finance
Is this a Key Decision?	Not Applicable
If this is a Key Decision, is this decision listed on the Forward Plan?	Not Applicable
Reason(s) why not included on the Forward Plan:	Not Applicable
Is this a Late Report?	No

Reason(s) why Late: Not Applicable

Is this decision eligible for 'call in?' Not Applicable

If not eligible, please provide reason(s): Not Applicable

Wards: All

Does this report contain exempt or confidential information? No

Has this decision been included on the Notification of Intention to consider Matters in Private? Not Applicable

Reasons why not included on the Notification: Not Applicable

1 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the publication of the Statement of Accounts 2020/21, 2021/22, 2022/23 and 2023/24.
- 1.2 **Appendix 1** includes the notice that is to be published by 28th February 2025 on the Council's website and sent to the Secretary of State (MHCLG) in relation to the 2023/24 Statement of Accounts.

2 COMMISSIONERS' REVIEW

- 2.1 Commissioners are supportive of the approach set out in this report, that this issue needs to be worked through in partnership with central government. In the interests of public accountability the Statement of Accounts in question should be published as soon as practically possible.

3 RECOMMENDATIONS

That the Committee:

- 3.1 Notes the regulatory requirements regarding the publication of the Statement of Accounts.
- 3.2 Notes the update on the publication of the Statement of Accounts 2020/21, 2021/22, 2022/23 and 2023/24.
- 3.3 Notes that any further updates will be provided at the meeting.

4 KEY INFORMATION

Context

Regulatory Requirements

- 4.1 The requirements for the preparation and publication of the Statement of Accounts are set out in the Accounts and Audit Regulations 2015, as amended by the 2024 Amendment Regulations.
- 4.2 Local audit backstop arrangements have been established in the 2024 Amendment Regulations to fix dates by which an authority must publish a finalised version of the statement of accounts for a particular year, irrespective of the progress that has been made by the auditor. Where the auditor has yet to obtain sufficient appropriate audit evidence to sign off an unqualified opinion, then they will need to issue a modified audit report.
- 4.3 Regulation 9A establishes backstop dates for each financial year up to 2027/28, Table 1 refers.

Table 1 – Backstop Dates

Financial Year	Backstop Dates
2022/23 and earlier financial years	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

- 4.4 Regulation 9A also confirms that the Statement of Accounts can only be published when all the mandatory statutory events have taken place. It states that publication can only happen after member approval in accordance with regulation 9(2), which in turn states that members can only approve the statement of accounts following the conclusion of the public inspection period. These

requirements were detailed in paragraph 4.5 in the report entitled 'Update on Statement of Accounts 2020/21, 2021/22 and 2022/23' on 10 December 2024.

- 4.5 The Regulations clearly state that the Responsible Finance Officer (RFO) is required to confirm that the statement of accounts presents a true and fair view, initially at the issue of the draft accounts and then again at the publication of the final version. At the Council, the RFO is the Director of Finance and Section 151 Officer.
- 4.6 Legal Advice has confirmed that reg 9(1)(a) cannot reasonably be understood as requiring the RFO to sign a statement of accounts unless and until they are indeed satisfied that it presents a true and fair view. The expression of the RFO's view is meant to represent the personal assurance of an authority's most senior finance officer that, in their opinion, the statement of accounts does indeed give a true and fair view.
- 4.7 The regulations (9A) require that Council only proceeds to publishing Accounts once it has satisfied itself that the Statement of Accounts presents a true and fair view.

Outstanding Statement of Accounts

- 4.8 The Audit is yet to be completed on the 2020/21, 2021/22 and 2022/23 Statement of Accounts. The statement for 2023/24 is currently being prepared.

2020/21 and 2021/22 Accounts

- 4.9 The 2020/21 and 2021/22 draft accounts were issued in June 2021 and July 2022 respectively and public inspection periods for both Accounts have taken place.
- 4.10 The Audit of both accounts has progressed since then. The below summarises the timeline for both sets of Accounts, Table 2 refers;

Table 2 - Timeline

Item	2020/21 Accounts	2021/22 Accounts
Briefing to Audit Committee on Draft Accounts	29 June 2021	28 September 2022 (deferred from cancelled July meeting)

S151 issue of Draft Accounts	30 June 2021	28 July 2022
Public Inspection period	1 July 2021 – 11 August 2021	1 August 2022 – 12 September 2022
Draft Findings Report from External Auditor to Audit Committee	19 October 2021 25 January 2022 28 March 2023	28 March 2023
Updated Accounts presented to Audit Committee	19 October 2021 28 March 2023	28 March 2023
Completion of Audit	TBC	TBC
Audit Committee Sign Off of Audited Accounts	TBC	TBC
Publication of Audited Accounts	TBC	TBC

4.11 These two statements have now been updated for all events to date and presented to the External Auditor for review. As a result of a number of issues previously highlighted the RFO is issuing a qualified true and fair view certification.

4.12 The External Auditor is expected to provide feedback on the Statements of Accounts in the coming weeks.

2022/23 Statement of Accounts

4.13 The 2022/23 statements have been prepared but not yet issued as draft as the RFO is unable to certify the financial statements for 2022/23 because of the issues related to the ERP system, which have been presented to the Committee over the last two years. The RFO is unable to certify as true and fair the Statement of Accounts based on balances extracted from the ERP system. The key reason being the Council at implementation did not implement the audit functionality in Oracle Fusion, nor deploy Oracle Risk Management Cloud, or address concerns

raised in relation to system-based segregation of duties controls. Without these components, the ledger lacked the basic integrity required for a RFO to rely upon and place assurance on the data within the Ledger.

- 4.14 The 2023/24 Statement of Accounts is being prepared at the time of writing. It is not expected that the Accounts will be published by the 'backstop' date of 28 February 2025.
- 4.15 The Council is in dialogue with the Ministry of Housing, Communities and Local Government (MCHLG) on how the Council can publish the Statement of Accounts in light of the ERP issues mentioned in paragraph 4.13.

Next Steps

- 4.16 Regulation 9 of the Acts provides details of when a Council is unable to publish its final Accounts by the (backstop) publication date:

(6) Where paragraph (5) does not apply and a Category 1 authority fails to comply with paragraph (2) or (3) (as the case may be), the authority must—

(a) on or as soon as reasonably practicable after the last publication date, publish a notice stating—

(i) that it has not been able to publish its accountability statements,

(ii) its reasons for this, and

(iii) that it acknowledges that it must publish its accountability statements as soon as reasonably practicable,

(b) on or as soon as reasonably practicable after the last publication date, send a copy of the notice mentioned in sub-paragraph (a) to the Secretary of State, and

(c) as soon as reasonably practicable publish its accountability statements.

- 4.17 The Council in December 2024 issued notices related to the 2020/21, 2021/22 and 2022/23 Statements. It is, at the time of writing, planning to issue the notice included in **Appendix 1** to state that the Council's Statement of Accounts 2023/24 has not been published by the last publication date and the reasons for it. This will be confirmed verbally at the meeting.

5 RISK MANAGEMENT

- 5.1 There is the potential for reputational and financial risk in not publishing the Statement of Accounts by the 'backstop' date. However, there is the counter risk of publishing a set of Accounts as true and fair when they are not in the opinion of the RFO. The Council is looking to publish with a relevant opinion as soon as practicable.

6 IMPACT AND IMPLICATIONS

Finance

- 6.1 The delay in the finalisation of the audits may lead to additional Audit fees but these are likely to be minor as the delay to the 2020/21 and 2021/22 Accounts is related to a single issue. The costs of the Audit for 2022/23 and 2023/24 will be a significant factor in deciding on the next steps related to those Accounts.
- 6.2 The delay in completing the audit could lead to adverse impacts from other organisations that transact with the Council such as funders and lenders.

Legal

- 6.3 The legal implications have been included in the main body of the report.

Equalities

- 6.4 This is contained within the appendix.

Procurement

- 6.5 Not applicable.

People Services

- 6.6 There are no staffing implications arising from the recommendations in this report.

Corporate Parenting

- 6.7 There are no corporate parenting implications arising from the recommendations in this report.

Other

- 6.8 Not applicable

7 APPENDICES

- 7.1 Appendix 1 – Proposed Accounts Notice 2023/24

8 BACKGROUND PAPERS

- 8.1 'Update on Statement of Accounts 2020/21, 2021/22 and 2022/23' report to Audit Committee 10 December 2024.