

CIPFA Bulletin 16 – Local audit delays and the publication of the annual governance statement

Guidance to local authorities in England affected by local audit delays

February 2024

CIPFA issues Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but they are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.

Please address any queries to the CIPFA Technical Enquiry Service for CIPFA members and students:
technical.enquiry@cipfa.org

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance

CIPFA Bulletin 16 – Local audit delays and the publication of the annual governance statement

Contents

Introduction	3
Requirements of the AGS	3
Current situation	3
CIPFA’s recommended approach	3
What matters would prompt an update to the AGS for a prior year?	3
Significant governance matters that would not lead to the adjustment of the prior year AGS	4
Explaining why there are delays to the publication	4
Delivering accountability	4

Introduction

Many authorities have at least one set of unaudited financial statements for prior years, as a result of delays completing local audits. Under the Accounts and Audit Regulations 2015 (and subsequent amendment regulations of 2020, 2021 and 2022) publication of the annual governance statement (AGS) follows the same timetable as the financial statements. As a result, the AGS for those years are not yet finalised.

This guidance is intended to provide clarity to those authorities and their external auditors on the update of the AGS.

Requirements of the AGS

The AGS is an accountability statement. It provides an opinion on whether the governance of the authority was fit for purpose during the year it relates to, following a review of its effectiveness. It identifies any significant governance issues occurring during the year or from the review, and it provides a commitment to address those matters. It is signed by the chief executive and leading member to ensure top-level commitment to the improvement of governance and assurance on the robustness of the review. The statement is reviewed and agreed by the authority or a delegated committee.

The AGS should follow the CIPFA guidance contained in [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016). The guidance states that the AGS should be kept up to date at the time of publication. During normal operations, this requirement would mean the period between the end of the financial year, and the publication of the audited financial statements just a few months later. In the current situation the elapsed time often exceeds one year.

Current situation

Most financial statements for 2022/23 remain unaudited together with a significant number for 2021/22 and earlier years. Soon authorities will be completing their annual reviews of effectiveness of governance for 2023/24 and drafting a new AGS. This brings the challenge of ensuring that all outstanding AGSs meet the requirements of CIPFA's guidance without duplication.

CIPFA's recommended approach

To fulfil the AGS's primary function as an accountability statement for the year it relates to, the AGS should remain focused on the effectiveness of governance arrangements during that period. It should contain the opinion and the significant governance issues identified by the review of effectiveness for that year.

The draft AGS should have been reviewed and agreed in accordance with the applicable timetable set out in the Accounts and Audit Regulations. If the financial statements are unaudited at the required publication date, the statements and the AGS must be published on the authority's website.

The authority should consider whether changes to the draft AGS are required during the period leading up to the finalisation of the audit. This will enable the authority to approve a final AGS for the period. Taking the AGS, whether amended or not, for formal approval prior to publication will ensure clarity that the AGS is appropriate and fulfils the CIPFA requirement that it is up to date.

What matters would prompt an update to the AGS for a prior year?

- If a significant governance issue emerges after the year-end, the authority should consider whether it was pertinent to the prior year. For example, the discovery of significant control weaknesses that allowed a fraud to occur, including during the prior year, should be considered

as a matter for inclusion. At 31 March of the prior year, the authority might have considered their control arrangements to be robust but new information has shown that not to be the case, so it would be appropriate for the AGS to be updated.

Significant governance matters that would not lead to the adjustment of the prior year AGS

Where emerging governance issues are clearly linked to events after 31 March of the prior year, then it would not be necessary to include them in a prior year AGS. They should be considered for the AGS of the year they were related to, and in subsequent AGS until they are resolved. Such examples could be:

- control failures related to an IT system that was implemented after 31 March of the prior year
- more recent developments in governance, for example the establishment of a new trading company or shared service arrangement, that takes place after the year-end
- significant problems in capacity and capability in critical areas that have developed after 31 March of the prior year.

The more recent AGS should address significant governance issues such as these and track their resolution through the action plan.

Explaining why there are delays to the publication

Where there are multiple outstanding years' AGSs, each AGS should contain a statement explaining the reasons for the delay and signposting to the AGS for subsequent years.

Delivering accountability

The authority should bear in mind the importance of accountability and strive to ensure that the AGS is a meaningful accountability statement that accurately reflects the strengths and weaknesses of their governance in practice. Local audit delays make this responsibility more difficult to achieve and authorities need clear communication to help stakeholders get the assurance on governance they are due.

Recent CIPFA resources that can support authorities in establishing robust assurance and accountability arrangements include:

- [Advisory note one: Understanding the challenge to local authority governance](#) (CIPFA Practice Oversight Panel, 2022)
- [Developing an effective assurance framework in a local authority](#) (CIPFA, 2023)