

Title: Statement of Accounts 2021/22 and 2022/23 Update

Lead Officer: Andrew Rollins (01926 456013)

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	04/06/24	Councillor Chilvers
Finance	04/06/24	Andrew Rollins
Legal Services		
Chief Executive	04/06/24	Chris Elliott
Director of Climate Change	04/06/24	Dave Barber
Head of Service(s)	04/06/24	Andrew Rollins
Section 151 Officer	04/06/24	Andrew Rollins
Monitoring Officer	04/06/24	Graham Leach
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		
Accessibility Checked?	Yes	

Summary

This report provides an update on the progress of the 2021/22, and 2022/23 audits. Whilst work on the audit is not concluded, it is expected that the auditors will issue an audit opinion by the provisional backstop date of 30th September.

Recommendation(s)

- (1) That the Committee notes the positions of the 2021/22 and 2022/23 audits, and the ongoing plan to resolve their outstanding positions.
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1 Audit of Accounts 2021/22 and 2022/23

- 1.1 The production and subsequent audit of the Council's Financial Statements for 2021/22 and 2022/23 has been challenging and time consuming this year for both officers and Auditors. Commentary on the key headlines is provided below.
- 1.2 2021/22 had been a transitional year for the Council in terms of the audit, and as a result the Accountancy team has faced increased challenges. The merger collapse during a key period of the Statement of Accounts production resulted in significant changes affecting staff resourcing in the team, and subsequent gaps in the establishment. Periods of interim arrangements have led to the team only becoming fully established once again in January. Prioritisation has been given to the Council's response to the merger collapse by officers, including responding to information requests and updating forecasts to reflect that schemes and efficiencies linked directly to the merger were no longer going to materialise.
- 1.3 The implementation of a new Finance Management System mid-year, launching November 2021, also impacted upon the production of the accounts and the audit process. As officers continue to learn how to get the best out of the new system, many tasks have taken longer than expected, with all working papers requiring significant updates. It should be noted that despite these issues the Council remains in a far better position than many other Local Authorities, including some who have also moved across to new Finance Systems in recent years.
- 1.4 The draft 2021/22 Statement of Accounts were published on the 5 September. The statutory deadline for this year was moved to 1 August. The reasons for the delay in publication have previously been reported to members in advance of the statutory deadline, but predominantly are linked to the points raised in sections 1.2 and 1.3.
- 1.5 The accounts have been subject to audit by Grant Thornton, the Council's external auditors. The date for the audited accounts to be signed off was 30 November 2022. As reported to the Committee in November 2022 the auditors were not able to complete their work to enable the accounts to be signed off by this date.
- 1.6 To publish the draft on the 5 September to ensure the audit could commence on time, some notes were incorporated into the statements without the expected or necessary levels of review and had to bypass established quality assurance processes. These typically require a secondary review of the note by a Principal Accountant in the team and are then signed as approved and ready for inclusion. This led to some notes being incorrect, which has required changes to the primary statements.

- 1.7 Delays in understanding what is being required by audit, and then subsequently being able to issue the necessary information has resulted in the audit taking longer than expected. Many of these issues have been exacerbated as officers learn how to use the new Finance Management System, but also due to processes being set up as part of the system implementation to reflect what was deemed acceptable in previous years by audit now requiring change.
- 1.8 It should be noted that the issue with the reports provided is that audit consider them to contain too many transactions, which in turn would increase the sample size required, the time taken to complete the sample work and therefore the cost of completing the audit. Officers have worked to ensure reports that could facilitate a smaller sample have been provided. This has proved at times to be difficult, given that the new system was developed, and reports produced based on what had worked in prior years from a management, delivery and audit perspective.
- 1.9 This issue also emphasised the increased challenge of completing an audit entirely remotely. During the interim stage of the audit, Grant Thornton had requested that they complete some of the audit 'on-site'. This request was supported in principle, on the condition that a timetable was shared with officers to ensure that the appropriate staff were available in the office for face-to-face work as required. However, this was never raised again as a requirement by Grant Thornton.
- 1.10 In hindsight some of the issues faced in providing the appropriate reports for sampling, in addition to other audit tasks, could have been resolved in a timelier manner with an 'on-site' in person audit. As part of the review into this year's audit, there will be a recommendation from management that some of the audit moves back to being in person. This would bring clear benefits to the clarity and timeliness of requests and responses for both sides.
- 1.11 While the audit of the accounts is nearing completion, the audit work outstanding is still deemed material in nature. Work is ongoing with the tasks, which related primarily to the treatment of some aspects of Property, Plant and Equipment within our ledger and statements. Therefore, Grant Thornton will not be able to issue their final audit statement and so sign off the accounts until they have finished this work.
- 1.12 As the 2021/22 audit remains outstanding, WDC has felt unable to publish draft statements for 2022/23. Work on these is largely complete but are potentially subject to any change if further changes to the 2021/22 statements were required.
- 1.13 As part of clearing the backlog of historical audit opinions up to and including financial year 2022/23, a backstop date of 30 September has been set by which all local bodies would publish audited accounts.
- 1.14 Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.
- 1.15 It is expected that a qualified or disclaimed opinion will be given for 21/22 (unless we can reach agreement for the work to be completed), and a disclaimed opinion for 22/23.
- 1.16 A qualified opinion is where the financial statements have a material error or omission which is not pervasive (it is confined to one element or portion of the

financial statements) and therefore only a part of the financial statements are affected.

- 1.17 A disclaimer of opinion is where the financial statements lack sufficient and appropriate audit evidence due to an inability to obtain this and therefore an opinion is not given. As the 22/23 didn't commence outside of Value for money (VFM) work, this will likely be the opinion for that year.
- 1.18 Following a meeting with Grant Thornton on 5 June, there is still the possibility that the 2021/22 audit can be completed ahead of the September backstop date. However this will be dependent on their capacity, as they are currently completing 2023/24 NHS audits. It will also depend on whether they believe the latest amendments and actions taken by officers to address outstanding issues on the accounts to allow the remaining work to be completed in an efficient and timely manner.
- 1.19 The Value for Money work is still to be finalised by the Auditors. This does not have to be confirmed alongside the Accounts. Grant Thornton plan to report on the VFM in a separate Auditor's Annual Report at a future Audit & Standards Committee, with this likely to be ready for the meeting on 27 August, as managers comments have now been provided in response to the draft report.
- 1.20 Given the challenges raised throughout the audit process since 2022, several changes to processes have been made to ensure that we do not face similar issues with future audits, as we continue our work with our new audit partners Azets for 2023/24. Some of this work is taking place with external providers, such as our pensions, valuation, and finance system providers to ensure the data prepared on our behalf meets the requirements of providing the necessary audit assurance.
- 1.21 The lessons learned will give more time in the production process by ensuring the agreed timetable does not slip. Further developments to the new Finance Management System, including enhancing the reports and data extracted from the system for year-end will be completed. Staff also now have more experience in using the system, and this should improve the efficiency of the project.
- 1.22 While some of these changes may not be in place for the 2023/24 process, the audit plan presented in a separate report on this agenda sets out how Warwick District Council plans to bring the audit process back on track this year with a view of being able to commence the 2024/25 audit with no backlogs.

2 Alternative Options

- 2.1 None.

3 Legal Implications

- 3.1 The proposals are in line with current legislation where applicable.

4 Financial Services

- 4.1 The original scale fee for the audit agreed by Public Sector Audit Appointments (PSAA) was £41,290. Grant Thornton has currently received approval for an additional £81,099 fee for the 2021/22 audit. The additional fee covers increased standards and requirements with which the audit and statements are due to adhere to, in addition to the additional work that has been required on the audit to date. The final fee is subject to change depending on the final requirements in completing the audit. This will need to be agreed with Warwick District Council, and then agreed by PSAA, and may cover any arrangements relating to the backstop if necessary.

- 4.2 In recognition of some these increased requirements, the Government agreed £15m additional funding towards the cost of the 2021/22 audits, with each local authority receiving £21,285 towards the increased costs.
- 4.3 Any fee due for the 2022/23 audit has not yet been agreed. We are expecting the formulation of the Audit backstop legislation to outline any costs associated with the delivery of the backstop work. However, it is expected that this will be met within the existing 2022/23 budgetary provision for the audit, and given that the audit did not meaningfully commence, that there are likely to be some savings. These will be used offset any further additional costs associated with the 2021/22 audit.

5 Corporate Strategy

- 5.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation.
- 5.2 Delivering valued, sustainable services.
- 5.3 Low cost, low carbon energy across the district.
- 5.4 Creating vibrant, safe and healthy communities of the future.

6 Environmental/Climate Change Implications

- 6.1 None.

7 Analysis of the effects on Equality

- 7.1 Not relevant.

8 Data Protection

- 8.1 Not relevant.

9 Health and Wellbeing

- 9.1 Not relevant.

10 Risk Assessment

- 10.1 The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.