

Agenda Item 5
Audit & Standards Committee
12 December 2024

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		Councillor Chilvers
Finance		Andrew Rollins
Legal Services		
Chief Executive		Chris Elliott
Director of Climate Change		Dave Barber
Head of Service(s)		Andrew Rollins
Section 151 Officer		Andrew Rollins
Monitoring Officer		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 presents the published 2021/22 and 2022/23 Statement of Accounts to be agreed by the Committee ahead of the backstop date of 13 December 2024.

For the 2021/22 Statement of Accounts, the External Auditor's Audit Findings Report is also presented. Due to elements of the work on the audit being outstanding at the time of the statutory deadline, it has not been possible for Grant Thornton to issue an audit opinion, and therefore a disclaimer of audit opinion has been issued.

For the 2022/23 Statement of Accounts, Grant Thornton have not had time to obtain sufficient appropriate audit evidence to conclude that the statements are free from material misstatement. Therefore a disclaimer of audit opinion will be issued.

Recommendation(s)

- (1) That the Committee notes the 2021/22 Audit Findings Report, and accompanying management responses.
- (2) That the Committee approves the 2021/22 letter of representation on behalf of the Council.
- (3) That the Committee notes the 2022/23 shortform Audit Findings Report.
- (4) That the Committee approves the 2022/23 letter of representation on behalf of the Council
- (5) That the Committee approves the 2021/22 and 2022/23 Audited Statement of Accounts.

1 Reasons for the Recommendations

1.1 Background

1.1.1 An update on the positions of the 2021/22 and 2022/23 audits was last presented to the A&S Committee on 27 August 2024.

1.1.2 Due to the growing backlog in the publication of audited accounts for local authorities. To address the issue the Ministry of Housing, Communities & Local Government has confirmed legislation that includes five backstop dates to allow full assurance to be rebuilt over several audit cycles.

1.1.3 These backstop dates are:

Financial Year	Backstop date
2021/22	13 December 2024
2022/23	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

1.1.4 Where auditors have been unable to complete audits, they will issue a 'disclaimed' or 'modified' audit opinion.

1.1.5 It is expected that disclaimed opinions are likely continue for a few years, until

the new external auditors (in WDC's case Azets) can obtain sufficient appropriate audit assurance.

1.1.6 Our auditors, Grant Thornton, have undertaken their Value for Money work for the years ending 31 March 2022 and 31 March 2023, and reported the outcome in the Auditor's Annual Report, which was presented to the Audit and Standards Committee on 27 August 2024 alongside management responses.

1.2 **2021/22 Statement of Accounts**

1.2.1 The published 2021/22 Statement of Accounts are presented as Appendix 1 to this report.

1.2.2 The draft Statement of Accounts were published on 5 September 2022.

1.2.3 The 2021/22 Audit Findings Report (Appendix 2) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process. The audit has been carried out by Grant Thornton.

1.2.4 The report notes some of the challenges present through this audit process, as viewed by Grant Thornton. While we acknowledge that WDC has contributed to the delay of the accounts and subsequent disclaimer being received, it is important to re-emphasise that some of the issues during the process could have been mitigated. These have been covered within previous reports to the Committee.

1.2.5 The report raises 15 recommendations for management from the audit work. Management comments in response to the recommendations are presented in Appendix 3.

1.2.6 The Audit Findings Report sets out material (non-trivial) misstatements to the accounts identified by audit within Appendix C. Management have adjusted the accounts for final publication to reflect the identified matters.

1.2.7 Appendix C also sets out misstatements which management will not be adjusting for, due to their values being immaterial in nature.

1.2.8 Grant Thornton state that due to some areas of the audit remaining outstanding at the time of the statutory deadline of 13 December 2024, it would not be possible to form an opinion. Therefore it is their intention to issue a disclaimer of the audit opinion. This is provided within Appendix F of the Audit Findings Report (Appendix 2).

1.2.9 This enables WDC to comply with the requirement in the regulations to publish audited financial statements for the year ended 31 March 2022 by the backstop date.

1.2.10 The letter of representation for 2021/22 (Appendix 4) has been signed by the Council's Section 151 Officer and the Chair of the Audit and Standards Committee, for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

1.3 **2022/23 Statement of Accounts**

1.3.1 The published 2022/23 Statement of Accounts are presented as Appendix 5 to this report.

- 1.3.2 The draft Statement of Accounts were published on 31 October, to enable the 30-working day public inspection period to commence on 1 November and be completed before the audit publication backstop date of 13 December 2024.
- 1.3.3 Due to the limited time the draft financial statements were available following publication, Grant Thornton were unable to commence their audit of the statements before the backstop date, and therefore did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that the 2022/23 financial statements are free from material misstatement.
- 1.3.4 Grant Thornton therefore plans to issue a disclaimer of the audit opinion. This enables WDC to comply with the requirement in the regulations to publish audited financial statements for the year ended 31 March 2023 by the backstop date. This is outlined in the conclusion of the audit letter for 2022/23 (Appendix 6).
- 1.3.5 The letter of representation for 2022/23 (Appendix 7) has been signed by the Council's Section 151 Officer and the Chair of the Audit and Standards Committee, for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.
- 1.3.6 It should be noted that this letter differs from the letter of representation for 2021/22, given that Grant Thornton was unable to commence the main audit. This is reflected particularly in the 'information' provided section of the letter.
- 1.4 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.
- 1.5 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 have been completed. Staff also now have more experience in using the system, and this should improve the efficiency of the project.
- 1.6 While some of these changes may not be in place for the 2023/24 process, the audit plan presented at the last A&S Committee 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.
- 1.7 It is expected that Azets will present an update to the audit plan and their plans on how we move to a position of being able to provide assurance early in the new year.

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 2021/22 audit agreed by Public Sector Audit Appointments (PSAA) was £44,290. The proposed fee was then agreed at £73,140 by PSAA as proposed in Grant Thornton's original audit plan.
- 4.2 Grant Thornton have currently received approval for an additional £81,099 fee for the 2021/22 audit from PSAA in February 2024. 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 as noted in Appendix D of the Audit Findings Report is £169,141 and includes costs relating to the backstop. This represents a further requirement of £14,902. This will need to be agreed by PSAA.
- 4.3 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.
- 4.4 For 2022/23, PSAA set a scale fee of £48,791. Given the unprecedented circumstances relating to the introduction of the backstop legislation, audit firms are still awaiting a determination from PSAA as to the appropriate fee to be charged for the audit. Grant Thornton have proposed a fee of £18,155.
- 4.5 This does not reconcile with the expected fee included within the 2022/23 financial statements, in which a total provision for the audit of £73,000 was made.
- 4.6 Any saving achieved on the 2022/23 will be used to offset the additional costs associated with the 2021/22 audit, as outlined in 4.2.

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. Having Audited Statement of Accounts and completed Value for Money Assessments is a mechanism for being able to demonstrate financial sustainability and give assurance that the Council is operating from a stable financial platform by confirming how it is using its resources.
- 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.

Background Papers

[27 August 2024 - Item 5 - Statement of Accounts 2021/22 and 2022/23 Update](#)

[12 June 2024 - Item 6 - Statement of Accounts 2021/22 and 2022/23 Update](#)

[18 January 2022 - Item 4 - Statement of Accounts 2021/22 Update](#)

Supporting documents

Appendix 1 – 2021/22 Statement of Accounts

Appendix 2 – 2021/22 Audit Findings Report (AFR)

Appendix 3 – 2021/22 AFR Management Comments to Recommendations

Appendix 4 – 2021/22 Letter of Representation

Appendix 5 – 2022/23 Statement of Accounts

Appendix 6 – 2022/23 Conclusion of the Audit letter

Appendix 7 – 2022/23 Letter of Representation