

**20 November 2023**

**Post Audit Statement of Accounts 2022/23, Annual Governance Statement  
and Audit Findings Report**

**Ward(s):** All

**Portfolios:** All

**Purpose: For Information**

**1. Aim**

- 1.1 To present the Post Audit Statement of Accounts and position of the council as required under the Accounts and Audit (England) Regulations 2015.

**2. Summary**

- 2.1 This report presents the Post Audit Statement of Accounts for 2022/23 along with the summarised accounts and Annual Governance Statement.
- 2.2 The report also includes Grant Thornton's Audit Findings Report on the authority's accounts, including the council's letter of representation, which the council is required to provide to Grant Thornton, and is signed by the Chief Financial Officer and Chair of the Audit Committee.

**3. Recommendations**

- 3.1 Audit Committee are requested to:
1. Receive the Audit Findings report from Grant Thornton on their audit of the 2022/23 statement of accounts and consider the key messages (Appendix 1) and note that there have been agreed amendments made to the accounts during the audit.
  2. Note and approve the Post Audit Statement of Accounts for 2022/23 (Appendix 2) including the Annual Governance Statement.
  3. Note the summary of accounts (Appendix 3).
  4. Note, consider and endorse the letter of representation attached (Appendix 4).
  5. Agree that the Chair of the Committee signs and dates the accounts as required under the Accounts and Audit (England) Regulations 2015.
  6. Authorise the Section 151 Officer to distribute copies of the audited Statement of Accounts to partners and stakeholders alongside the Annual Governance Statement 2022/23.

#### 4. Report detail – know

##### ***Headlines from the 2022/23 Post Audit Statement of Accounts***

- 4.1 As at 31 March 2023 general fund services (including planned use of general reserves and transfers to and from earmarked reserves) shows an overall deficit for the year of £0.486 million (shown on page 14 of Appendix 2 – Post Audit Statement of Accounts). This has resulted in net general reserves of £18.703 million at the end of the year.
- 4.2 The audit process identified several adjustments affecting the council's accounts; and the audit findings report from Grant Thornton (Appendix 1) outlines these adjustments and disclosure amendments. Although none of these have an effect on general fund reserves, the post-audit of Statement of Accounts (Appendix 2) has been updated to correct these misclassifications and disclosures as follows:
- Senior officers' disclosure updated for pension figure for Executive Director – Economy, Environment and Communities
  - Officers over £50k
  - External audit fees
  - Accounting policy for depreciation
  - Explanatory note to financial liabilities to explain a prior year comparative adjustment to ensure last years pension audit adjustment is correctly reflected.
  - Collection fund payment to preceptors
  - Dedicated Schools Grant (DSG)
  - Pension fund adjustment £13.109m
- 4.3 All the adjustments set out above are highlighted in yellow within the Statement of Accounts (Appendix 2). Note that these have only affected the relevant notes but not the primary statements.
- 4.4 There is one unadjusted misstatement set out in the Audit Findings Report in relation to an increase in the accumulated absences accrual totalling £0.798 million. This has arisen from the incorrect application of accrual percentage for teachers leave resulting from the spring term up to the end of the Easter School Holidays (3 April 2023 to 14 April 2023). Cross checks have been put in place to prevent this in future years. Management opted not to adjust for this amount as it is not material to the accounts overall, and this is purely an accounting transaction where the overall accrual will not materialise as it was discharged during the Easter School Holidays. Additionally, it was considered that the amount of work involved in updating the accounts was disproportionate to the impact to the reader of the accounts.
- 4.5 There were also a small number of other misclassification and disclosure changes which are included within the Audit Findings Report (Appendix 1) from Grant Thornton. These were all amended for but were insignificant and had no impact on the level of reserves.
- 4.6 Grant Thornton have undertaken a review of the Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. The results of these

findings are set out in the Audit Findings Report (Appendix 1) on pages 16, 28 and 29. Management have also provided their responses to the two recommendations set out noting that one has already been implemented and the second (which is in line with previous reports on IT controls) provides background details to support the Councils processes.

- 4.7 As part of the 2021/22 audit Grant Thornton identified that there was an unreconciled difference of £87,546 in relation to timing differences within the Councils Bank Rec Bank. Within the Audit Findings report for 2021/22 management noted that a Payments Project workstream was due to be implemented imminently that would identify timing differences for Chip and Pin and MyWalsall system payments. There have been a number of delays to the implementation of this project however this is scheduled to be completed in 2023/24 and it is expected that these timing differences will be reconciled.
- 4.8 At the September 2023 Audit Committee meeting members approved the Annual Governance Statement (AGS). The AGS however has to be published alongside the audited accounts. Therefore, the AGS has been reviewed to ensure there are no changes that need to be taken account of since September 2023 because of the extended audit. This review has not highlighted any required changes to the AGS, and this has been reapproved.

#### Balance sheet performance

- 4.9 Financial indicators are used to identify key trends and highlight the current financial health of the authority. These indicators are also referred to as ratio analysis.
- 4.10 The position of current assets to current liabilities is an important indicator that effectively identifies the ratio of assets that could quickly be converted to cash to cover current liabilities.
- 4.11 It is generally accepted that a ratio of 2:1 is what an organisation should seek to achieve. Achieving this level normally indicates good cash flow performance and financial health.
- 4.12 The council's ratio for 2022/23 is 1.74:1, a decrease from 1.96:1 achieved in 2021/22. The decrease in this ratio is mainly because of a reduction in cash and short-term investments compared to 2021/22, which were higher than normal due to the receipt of Covid-19 grants, and because of the council utilising cash balances as an alternative of borrowing to fund previous year's capital expenditure.
- 4.13 Another important ratio in understanding underlying trends in financial health is the comparison between long term assets and long-term borrowing. This seeks to highlight the relationship between the borrowing used to purchase the council's property, plant, and equipment, which are then used to deliver the services of the council over several years.
- 4.14 A ratio of 1:1 would be the minimum that would be expected. This would indicate that the council is receiving a benefit from the assets it has purchased that is in line with, or greater than, the repayment of borrowing incurred to fund those assets.

- 4.15 Walsall has achieved a ratio of 2.73:1 for 2022/23, an increase from 2.14:1 achieved in 2021/22. This is a healthy relationship between long term assets and borrowing, indicating that the council is still receiving the benefit of assets that it has purchased where there is no longer any associated borrowing.
- 4.16 The council's balance sheet shows a net worth of £411.765 million compared to last year's negative net worth of £115.460 million. The negative net worth in 2021/22 was largely due to the deficit on the West Midlands Metropolitan Authorities Pension Fund.
- 4.17 The main reasons for the movement in net pension liability relates to changes in financial assumptions for Consumer Price Index (CPI) (£70.810m) and the liability discount rate applied based on corporate bond yields (£538.905m). These movements are consistent with the current economic climate as at accounting valuation date and will be subject to further movements in the following years as interest rates and CPI change.
- 4.18 As requested at the June 2023 Audit Committee Appendix 5 shows the council's balance sheet after removing the net pension liability. Removing the net pension liability decreases the other long-term liabilities in the net assets section of the balance sheet by £92.294 million with a corresponding decrease in the value of unusable reserves. This shows that the council has a net worth after removing the impact of the net pension liability of £504.059 million. This shows what the council's position will be, assuming no other changes within the balance sheet, if the pension fund achieves its aim of achieving breakeven over the next 17 years.
- 4.19 These ratios and balance sheet information show that the council remains in a sound financial position.

#### Looking forward

- 4.20 The going concern assumption is a fundamental principle in preparing financial statements. Under this principle, Walsall MBC is deemed to be a going concern for the foreseeable future. The statutory duties undertaken by the council and the method in which funding is raised and provided by central Government are set to continue.
- 4.21 There is no intention to cease trading or seek protection from creditors.
- 4.22 The council has a Medium-Term Financial Framework (MTFF) which is regularly reviewed with the medium-term financial outlook updated to reflect the forecast financial position of the council going forward.
- 4.23 In addition to this the CIPFA Bulletin 01 – Closure of the 2017/18 Financial Statements issued in February 2018 sets out CIPFA's view on going concern as follows:
- 4.24 The provisions in the Code of Practice on the going concern requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.

### Performance management and risk management issues

- 4.25 The 2022/23 outturn provides a sound, stable financial foundation to ensure service delivery and continue to drive service improvement. As part of the council's performance management system, managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated overall in 2022/23, although some services did overspend, with corrective action being taken as appropriate.

### Value for Money

- 4.26 Item 10 of the Committee's agenda contains the draft Value for Money (VFM) report for 2022/23. The result of the VFM report is that Grant Thornton is satisfied with that the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **5. Control Environment**

- 5.1 All councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2015. The Accounts and Audit (Amendment) Regulations 2022 moved the date required for the Financial Statements to be considered and approved by the appropriate Committee of the council from 31 July to the 30 September following the end of the financial year.
- 5.2 These regulations require the council to complete its draft financial statements by 31 May following the end of the financial year.
- 5.3 The pre-audit financial statements were signed by the Section 151 Officer on 31 May 2023. This was within the deadline of 31 May as provided for within the Accounts and Audit (Amendment) Regulations 2022.
- 5.4 The pre-audit draft financial statements were presented to Audit Committee at their meeting on 26 June 2023 as for information only as they were not required to be approved by Audit Committee. Given the extended timeframe put in place it was seen as best practice to present the draft unaudited Statement of Accounts to Audit Committee for initial review.
- 5.5 An audit update was provided at the September 2023 Audit Committee which detailed that due work on the pension fund audit, the national issue concerning Reinforced Autoclaved Aerated Concrete and resourcing issues the 30 September 2023 deadline would not be met. A notification was published on the council's website to advise of the reasons for this.

## **6. Assurance of Controls**

- 6.1 The external audit of the financial statements commenced on 27 June 2023 by Grant Thornton. The audit has now been completed with the audited financial statements and Audit Findings Report being presented to Audit Committee for their approval at this meeting.

## **7. Strategic Risks/Annual Statements**

- 7.1 As this report is reviewing performance over 2022/23 there are no associated strategic risks, and there are no strategic risks identified within the Audit Findings Report.

## **8. Financial information**

- 8.1 There are no direct financial implications because of this report beyond those reported within Section 4.

## **9. Reducing Inequalities**

- 9.1 Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. There is also a simplified version of the accounts available on the council's website. The accounts will be available on request in different formats, for example, hard copy, soft copy via the web site, Braille and in different languages.

## **10. Decide**

- 10.1 The Committee should consider Grant Thornton's Audit Findings Report (Appendix 1) that details the work and outcome of the audit and decide whether it is satisfied that the financial statements can be approved for publication.

## **11. Respond**

- 11.1 Any issues or queries raised by Audit Committee in connection with the Post Audit Statement of Accounts have been requested by Council Officers in advance of the November 2023 Committee meeting to enable sufficient time to respond and provide Committee with assurance. This process does not preclude further queries and discussions at the November 2023 Committee meeting.

## **12. Review**

- 12.1 The Post Audit Statement of Accounts has been audited. Any material issues that Grant Thornton have discovered during this audit process are reported within the Audit Findings Report (Appendix 1). Any recommendations for improvement will be reflected in future years' accounts.
- 12.2 At the November Audit Committee members will also have the opportunity to consider the audited Statement of Accounts prior to approval, and refresher training will be provided to Committee Members ahead of the meeting to support their scrutiny.

## **Background papers**

Various financial working papers, statutory and other guidance.

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