

## **Audit Committee**

## **Agenda Item No. 9**

**21 November 2022**

### **Statement of Accounts Audit Progress 2021/22**

**Ward(s):** All

**Portfolios:** All

**Purpose: For Information**

#### **1. Aim**

- 1.1 To provide Audit Committee with a report on the progress of the external audit of the draft Statement of Accounts for 2021/22.

#### **2. Summary**

- 2.1 This report details the work undertaken to date by the Council's external auditors Grant Thornton on the audit of the draft Statement of Accounts for 2021/22, together with a plan to bring the audited Statement of Accounts, final Annual Governance Statement and the Auditor's Audit Findings Report to the March 2023 Audit Committee meeting.

#### **3. Recommendations**

- 3.1 Audit Committee are requested to note the progress made to date as set out within the report, and note that it is expected the final Post Audit 2021/22 Statement of Accounts and Audit Findings Report will be reported to the March 2023 committee for approval.
- 3.2 Audit Committee are requested to note the progress report from Grant Thornton attached as Appendix 1.
- 3.3 Audit Committee are asked to note the updated Annual Governance Statement attached as Appendix 2, and note that it is expected that the final Annual Governance Statement will be reported to the March 2023 committee for approval.
- 3.4 Audit Committee are requested to note that, to ensure compliance with statutory requirements, a late audit notice will be published on the council's website by 30 November 2022 to accompany the draft statement of accounts.

#### **4. Report detail – know**

- 4.1 The pre-audit Statement of Accounts were presented to Audit Committee at their meeting on 27 June 2022, and the external audit also commenced on 27 June 2022. Following this a progress report was provided to Audit Committee at their meeting on 26 September 2022.

- 4.2 The June Committee report also set out that Chartered Institute for Public Finance and Accountancy (CIPFA) on 12 May 2022 released an urgent consultation with regards to temporary changes to the code of practice to resolve reporting issues on infrastructure assets, and this consultation had a return date of 14 June 2022 and a response to this consultation has been sent to CIPFA.
- 4.3 CIPFA subsequently issued an update on 27 July 2022 to the consultation and stated that a sector wide approach should be sought, and that a further consultation with key stakeholder groups would take place to take forward better articulation and evidencing of the approach for the de-recognition of provisions and the remainder of its temporary proposals. However they also noted that they will not take forward Code amendments that are not consistent with high quality financial reporting, and as a consequence it is unlikely that proposals for a short term solution will alleviate all stakeholders concerns.
- 4.4 Within the report presented to Committee in September 2022 there was an expectation that the post audit Statement of Accounts and Grant Thornton's Audit Findings Report would be presented to the November 2022 Audit Committee meeting. Given that the majority of the audit has now been completed this would have been possible, however the national issue in relation to Infrastructure Assets that was reported to Audit Committee as a potential risk to the audit at both the June 2022 and September 2022 meetings is still ongoing.
- 4.5 On 27 October 2022 the Department for Levelling Up, Housing & Communities (DLUHC) released a draft statutory instrument and consultation regarding a statutory override for infrastructure assets. This had a closing date of 7 November 2022. The statutory override will resolve current national issues regarding infrastructure assets for the short term. The proposed statutory instrument will allow local authorities to make the assumption that any road being resurfaced/repaired will have a net book value of nil. Local authorities will also only have to disclose the net book value of infrastructure rather than the gross book value and accumulated depreciation. These changes would have nil impact on the council's general fund although there will be presentational changes within the accounts. These presentational changes are still to be confirmed by CIPFA.
- 4.6 Without this statutory instrument the council's accounts (and those of all other Local Authorities nationally) would receive a qualified audit opinion from Grant Thornton. Therefore the Council and Grant Thornton are awaiting approval of this statutory instrument which is expected to be in December 2022. This would allow any changes to the accounts to be made and finalisation of the audit to be undertaken, with the aim of receiving an unqualified audit opinion.
- 4.7 Given the timescale for releasing the statutory instrument it is now expected that the final Post Audit 2021/22 Statement of Accounts and the final Annual Governance Statement and Audit Findings Report are now expected to be presented to the March Audit Committee - subject to the issuance of the statutory instrument and guidance ahead of that.
- 4.8 This will be after the statutory deadline for publication of accounts of 30 November 2022, and to ensure the Council complies with the statutory requirements for publication of accounts, the draft statement of accounts on the council's website

will remain in place accompanied by a late audit notice detailing the issues for delay.

- 4.9 The majority of the Audit has now been completed with no material adjustments identified to date, with just a small number of areas of work, other than infrastructure assets as described earlier, still to be finalised and the final review of the audit files.
- 4.10 Council officers during the audit identified an error on the collection fund relating to business rate appeals whereby a figure had been entered as a credit rather than a debit. This has resulted in a reduction in the appeals provision of £3.831 million. This error has been corrected and has changed a number of tables within the Statement of Accounts including the balance sheet, although it has no impact on general reserves.
- 4.11 The Council's auditors are currently unable to complete the audit of the Council's pension entries due to work ongoing at the pension fund. The pension fund auditors have identified a variance regarding pension asset values which impacts on the Council's pension asset figures. Any resulting adjustment will be shown within the statement of accounts. However there will be no impact on general fund balances.
- 4.12 During the June meeting Audit Committee asked that information on emergency and contingency planning were included within the final Annual Governance Statement 2021/22. The Annual Governance Statement has been updated for this (Appendix 2 – noting that it is expected that the final Annual Governance Statement will be reported to the March 2023 committee for approval). The following are the relevant extracts now included within the statement.

***Section 3 -The Governance Framework:***

The Emergency Planning Unit (EPU) assesses local risks and works with our partners at a regional and national level to inform emergency and business continuity planning. Failure to deliver key services in the event of significant business interruption, including services delivered by contractors and partners, is also a strategic risk.

***Section 4 – Review of Effectiveness:***

At the June 2022 Audit Committee meeting, members asked for information on emergency and business continuity planning to be added to the Statement. All business continuity plans were activated during the pandemic and a lessons learnt review undertaken. Additionally, an Internal Audit of Business Continuity was undertaken and issued in March 2022, with moderate assurance for adequacy of system design, and limited assurance for effectiveness of system controls (with zero high priority recommendations, five medium priority recommendations and two low priority recommendations). All recommendations are being addressed and, to date, a revised business continuity template has been issued and all plans are currently being updated. Directors will have responsibility for owning and updating their plans on a regular basis. Business continuity and resilience planning will be incorporated into future Annual Governance Statement effectiveness reviews.

## **Control Environment**

- 4.13 All councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2015. The Accounts and Audit (Amendment) Regulations 2022, made as a result of Covid-19, have 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 November following the end of the financial year for financial year beginning in 2021, and from 31 July to 30 September for the financial years beginning in 2022, 2023, 2024, 2025, 2026 and 2027.
- 4.14 In addition these regulations have moved the date the council is required to complete its draft financial statements from 31 May to 31 July following the end of the financial year.
- 4.15 The pre-audit financial statements were signed by the Section 151 Officer on 15 June 2022. This is significantly within the revised deadline of 31 July as provided for within the Accounts and Audit (Amendment) Regulations 2022.
- 4.16 These pre-audit draft financial statements are for information only as they are not required to be approved by Audit Committee. Given the extended timeframe currently in place it is accepted by Grant Thornton as best practice to present the draft unaudited Statement of Accounts to Audit Committee for initial review.

## **Assurance of Controls**

- 4.17 The external audit of the financial statements commenced on the 27 June 2022 by Grant Thornton. The audit is currently ongoing and the audited financial statements will be presented to Audit Committee for their approval in March 2023.
- 4.18 At the March Audit Committee members will also receive the external auditors report on the financial statements from Grant Thornton for consideration.

## **Strategic Risks/Annual Statements**

- 4.19 As this report is reviewing performance over 2021/22 there are no associated strategic risks.
- 4.20 This report is concerning the council's draft financial statements for 2021/22.

## **5. Financial information**

- 5.1 There are no direct financial implications as a result of this report beyond those reported within Section 4.

## **6. Reducing Inequalities**

- 6.1 Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. 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.

## **7. Decide**

- 7.1 As this report is for information only there are no matters within this report for decision.

## **8. Respond**

- 8.1 Any issues raised by Audit Committee in connection with the pre-audit Statement of Accounts will be reviewed as part of the audit process. If it requires clarification within the Statement of Accounts these may be incorporated within the final audited document following discussion with Grant Thornton.

## **9. Review**

- 9.1 The pre-audited Statement of Accounts are subject to audit. Any material issues that Grant Thornton discover during this audit process will be reported in their Audit Findings Report due to be presented to members alongside the audited Statement of Accounts at the March Audit Committee meeting.
- 9.2 At the March Audit Committee members will also have the opportunity to consider the audited Statement of Accounts prior to approval.

## **Background papers**

Various financial working papers, statutory and other guidance.

## **Author**

Richard Walley  
Finance Manager – Technical Accounting, Treasury Management and Education Finance  
☎ 650708  
✉ [richard.walley@walsall.gov.uk](mailto:richard.walley@walsall.gov.uk)