

25 September 2024

Post Audit Statement of Accounts 2023/24 and Audit Findings Report

Ward(s): All

Portfolios: All

Purpose: Approve

1. Aim

- 1.1 To present the Post Audit Statement of Accounts for 2023/24 and position of the council as required under the Accounts and Audit (England) Regulations 2015 as amended.

2. Summary

- 2.1 This report presents the Post Audit Statement of Accounts for 2023/4 along with the summarised accounts and Annual Governance Statement.
- 2.2 The report also includes Grant Thornton's Audit Findings Report on the council's accounts, including the council's letter of representation, which the Council is required to provide to Grant Thornton, and is signed by the Council's Section 151 Officer and the Chair of 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 2023/24 Statement of Accounts and consider the key messages (Appendix 1) noting the agreed amendments made to the accounts during the audit.
2. Approve the Post Audit Statement of Accounts for 2023/24 (Appendix 2)
3. Note the summary of accounts 2023/24 (Appendix 3)
4. Consider and endorse the letter of representation (Appendix 4)
5. Note the prepared balance sheet excluding pension entries (Appendix 5)
6. Agree that the Chair of the Committee signs and dates the accounts as required under the Accounts and Audit (England) Regulations 2015 as amended.
7. Authorise the Section 151 Officer to distribute copies of the audited Statement of Accounts to partners and stakeholder along with the Annual Governance Statement 2023/24.

4. Report detail – know

Headlines from the Post-Audit Statement of Accounts 2023/24

- 4.1 As at 31 March 2024 general fund services (including planned use of general reserves and transfers to and from earmarked reserves) shows an overall surplus for the year of £0.858 million (shown on page 15 of Appendix 2 – Post Audit Statement of Accounts). This has resulted in net general reserves of £19.560 million (2022/23 £18.702 million) at the end of the year.
- 4.2 At the time of writing the audit process remains ongoing for Plant, Property and Equipment (PPE) Assets and assurances from the pension fund auditor in relation to the pension valuation, as set out in the Audit Findings Report from Grant Thornton (Appendix 1). It is expected a verbal update to these outstanding items will be provided to Audit Committee by Grant Thornton.
- 4.3 In addition to the outstanding items set out in 4.2 above the audit has identified some adjustments and disclosure amendments. When producing a large complete document in a short timeframe there are likely to be some amendments identified by External Audit. The amendments identified and noted in the Audit Findings Report (Appendix 1) are not dissimilar to those in previous years, and none of amendments 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:
- Reclassification of credit balance to debtors
 - Errors noted in the valuation report
 - Miscoding of Housing Benefit Subsidy Grant accrual
- 4.4 All the adjustments set out above are highlighted in yellow within the Statement of Accounts (Appendix 2).
- 4.5 There were also a 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 The Audit Findings Report contains three control recommendations for the council. These are in connection with:
- Property valuation errors
 - Expenditure accrual omissions
 - Review and quality control procedures during closedown period
- 4.7 A management response has been provided for these and are included within the Audit Findings Report.

- 4.8 Grant Thornton undertook a review of the Information Technology (IT) environment and controls during 2022/23 and 2023/24 financial years. This 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. This was reported to Audit Committee at the November 2023 meeting. As this spanned two financial years Grant Thornton have included the outcome of this audit in the Audit Findings Report.
- 4.9 At this Audit Committee meeting (Agenda Item 8) members are being asked to approve the Annual Governance Statement (AGS). This will then be published alongside the audited accounts as required by the Accounts and Audit Regulations 2015 (as amended).

Balance sheet performance

- 4.10 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.
- 4.11 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. It is generally accepted that a ratio between 1.5 and 3.0 are considered to be satisfactory whilst in theory an organisation should seek to have a ratio close to 2.0 as this would allow current liabilities to be fully covered without a detrimental impact on the organisation's operations. However, there is no single value that is the ideal ratio as it depends on the sector a business operates in this ratio. For local authorities a ratio between 1.5 and 3 indicates good cash flow performance and financial health.
- 4.12 The council's ratio for 2023/24 is 1.91:1, an increase from 1.74:1 in 2022/23. The decrease in this ratio is mainly because of a reduction in short term borrowing compared to 2022/23 due to loans reaching maturity more than offsetting an increase in short term debtors and a reduction in investments.
- 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 a number of years. A ratio of 1:1 would be the minimum that would be expected, and 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.
- 4.14 Walsall has achieved a ratio of 2.71:1 for 2023/24, a slight decrease from 2.73:1 achieved in 2022/23. This is mainly as a result of increases in long term assets (through changes in valuation and capital spend) being offset by an increase in the pension net liability and an increase in long term borrowing. 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.

- 4.15 The council's balance sheet shows a net worth of £406.232 million, a slight decrease from £411.765 million as at 31 March 2023.
- 4.16 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 £103.686 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 £509.918 million as at 31 March 2024, a slight increase to the balance as at 31 March 2023 of £504.059 million.
- 4.17 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.

Looking forward

- 4.18 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.
- 4.19 There is no intention to cease trading or seek protection from creditors.
- 4.20 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.
- 4.21 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:
- 4.22 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

- 4.23 The 2023/24 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 2023/24, although some services did overspend, with corrective action being taken as appropriate.

Value for Money

- 4.24 Grant Thornton are yet to complete the work for the Value for Money conclusion. This will be brought to a future Audit Committee meeting.

Control Environment

- 4.25 All councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2015 as amended. The Accounts and Audit (Amendment) Regulations 2022 move the date required for the Statement of Accounts to be considered and approved by the appropriate Committee of the council from 31 July to 30 September following the end of the financial year.
- 4.26 These regulations required the council to complete its draft financial statement by 31 May following the end of the financial year.
- 4.27 The pre-audit Statement of Accounts were signed by the Section 151 Officer on 30 May 2024. This was within the deadline of 31 May as provided for within the Accounts and Audit (Amendment) Regulations 2022.
- 4.28 The pre-audit Statement of Accounts were presented to Audit Committee at their meeting on 24 June 2024 as for information only as they were not required to be approved by Audit Committee. Given the extended timeframe put in place it was sent as best practice to present the draft unaudited Statement of Accounts to Audit Committee for initial review.

Assurance of Controls

- 4.29 The external audit of the financial statements commenced on 24 June 2024 by Grant Thornton. The audit has now been completed with the audited Statement of Accounts and Audit Findings Report being presented to Audit Committee for their approval at this meeting.

Strategic Risks

- 4.30 As this report is reviewing performance over 2023/24 there are no associated strategic risks and there are no strategic risks identified within the Audit Findings Report.

Annual Statements

- 4.31 This report is concerning the council's Annual Statement of Accounts which does not feed into any other annual statements.

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. 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.

7. Decide

7.1 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.

8. Respond

8.1 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 September 2024 Committee meeting to enable sufficient time to respond and provide Committee with assurance. This process does not preclude further queries and discussions at the September 2024 Committee meeting.

9. Review

9.1 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.

9.2 At the September 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

Finance Working Papers

Accounts and Audit (England) Regulations 2015 as amended

Accounts and Audit (Amendment) Regulations 2022

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom
2023/24 Guidance Notes
International Financing Reporting Standards

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