

# Report to Audit and Risk Assurance Committee

**12 December 2024**

<b>Subject:</b>	Approval of the Council's Statement of Accounts for 2022/23
<b>Director:</b>	Alex Thompson Executive Director of Finance of Transformation
<b>Contact Officer:</b>	Claire Spencer Acting Assistant Director of Finance Claire_spencer@sandwell.gov.uk

## **1 Recommendations**

- 1.1 That the Council's 2022/23 Statement of Accounts, as set out in Appendix 1, be approved.
- 1.2 That, in accordance with 1.1 above, the Chair of the Audit and Risk Assurance Committee signs the Statement of Accounts (in accordance with the requirements of the Accounts and Audit Regulations 2015).
- 1.3 That the Executive Director of Finance and Transformation be authorised to make any minor adjustments to the Statement of Accounts prior to the publication of the audited Statement of Accounts.
- 1.4 That the Executive Director of Finance and Transformation and the Chair of the Audit and Risk Assurance Committee sign the letter of representation in relation to the financial statements, on behalf of the Council, and send the letter to the Council's external auditor, Grant Thornton.

## **2 Reasons for Recommendation**

- 2.1 This report provides for approval of the Council's 2022/23 Statement of Accounts, following completion of the planned partial audit of the accounts.
- 2.2 The Accounts and Audit Regulations 2015 state that elected members of the Council are required to approve the annual accounts following completion of the audit of the accounts.

## **3 How does this deliver objectives of the Corporate Plan?**

- 3.1 The Statement of Accounts considers the overall financial position of the local authority, including the level of assets and balances held. The financial position of the authority underpins all of the authority's activities, and therefore underpins the Corporate Plan.
- 3.2 The work of the Council's external auditors is an important element of the accountability and transparency of the council's financial arrangements, and those arrangements help to support all of the council's objectives.

## **4 Context and Key Issues**

- 4.1 On 1 August 2024, the audit of the Council's 2021/22 Statement of Accounts was completed and an unqualified audit opinion was issued by the external auditor on the accounts. An unqualified audit opinion is issued when the external auditor has concluded that financial statements:
  - Give a true and fair view of the authority's financial position and of its income and expenditure during the relevant accounting period
  - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting
  - Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014
- 4.2 Following publication of the audited Statement of Accounts for 2021/22, the Council worked to produce a draft Statement of Accounts for the year ending 31<sup>st</sup> March 2023, and this was presented to the external auditor, Grant Thornton, for audit of the document in September 2024.

Grant Thornton were able to commence work on detailed audit testing of 2022/23 transactions and working papers in August 2024.

- 4.3 Simultaneously, on 30<sup>th</sup> July 2024, The Minister of State for Housing, Communities and Local Government published a written ministerial statement regarding the backlog in the publication of audited accounts of local bodies in England. In his statement, he acknowledged that the “broken” local audit system in England had resulted in a significant and unacceptable backlog of audited accounts, which was likely to increase to around 1,000 and, “without decisive action”, was likely to continue to rise further.
- 4.4 To tackle the backlog, the government has introduced a series of backstop dates for the financial years to 2027/28, whereby local bodies must have published audited accounts. On the 9 September 2024, the Minister of State laid before parliament, secondary legislation to amend the Accounts and Audit Regulations (2015) with the series of backstop deadlines, which are as follows:
- Financial years up-to-and-including 2022/23: 13 December 2024
  - Financial year 2023/24: 28 February 2025
  - Financial year 2024/25: 27 February 2026
  - Financial year 2025/26: 31 January 2027
  - Financial year 2026/27: 30 November 2027
  - Financial year 2027/28: 30 November 2028
- 4.5 The government recognised that due to time constraints, not all audits of accounts relating to the financial years to 2023/24 would be completed in full by the 13<sup>th</sup> December 2024 and 28<sup>th</sup> February 2025 backstop deadlines. Correspondingly, at it’s meeting on 18<sup>th</sup> September 2024, the Council’s Audit and Risk Assurance Committee agreed that in order to comply with the new legislation, partial audits would take place on the 2022/23 and 2023/24 accounts, in order to ensure that the backstop deadlines were met.
- 4.6 Correspondingly, prior to commencement of the audit of the 2022/23 Statement of Accounts, it was agreed that Grant Thornton would prioritise their audit work in areas that they were most likely to be able to complete in the time available, particularly those areas that would provide the Council with assurance over its useable reserves. This approach was reported to, and approved by, the Audit and Risk Assurance Committee on 18<sup>th</sup> September 2024. The plan was that the auditor would focus on working balances and income and expenditure transactions. It was understood that work that was inherently time-

consuming, and which would not provide assurance over useable reserve balances, such as work relating to land and building valuations, would not be able to be completed by the 13<sup>th</sup> December 2024 backstop deadline.

- 4.7 In order to comply with the backstop legislation, a partial audit has now taken place on the Council's 2022/23 Statement of Accounts, as planned, and Grant Thornton will issue a disclaimed opinion on the accounts. A full audit has not been possible due to the limitation of time.
- 4.8 The disclaimed opinion that will be issued means that the auditor has been unable to gain the assurance necessary to give an unmodified audit opinion by the statutory backstop date. In plain terms, a disclaimer means that the auditor has been unable to form an opinion. In this instance, the reason for this is the limitation of scope imposed by statute (not by the local authority). It is important to note that a disclaimer due to the backstop does not of itself indicate a local authority failing. Auditors are likely to issue hundreds of disclaimed audit opinions across the country due to the backstop legislation. The government has stated that "local bodies should not be unfairly judged based on disclaimed or modified opinions, caused by the breakdown in the system and the introduction of backstop dates that are largely beyond their control".
- 4.9 It is also important to note that Grant Thornton has carried out a significant volume of work on the audit of the 2022/23 accounts and has not found any material errors.
- 4.10 Although Grant Thornton has been unable to reach a conclusion of their audit, a significant amount of work has been carried out. As planned, their work has been focused on the areas that will impact the Council's usable reserves and working balances. Grant Thornton's audit team have concluded the work that they set out to undertake. Sufficient assurance has been gained to enable Grant Thornton to move onto audit of the 2023/24 Statement of Accounts, in accordance with the plan approved by the Council's Audit and Risk Assurance Committee on 18<sup>th</sup> September 2024.
- 4.11 Grant Thornton has prepared a short-form Audit Findings Report following completion of the partial audit of the 2022/23 accounts. The Audit Findings Report, which is attached at appendix 2 and which will be presented to the Audit and Risk Assurance Committee by representatives of Grant Thornton, reflects the external auditor's

observations on matters arising during the course of the audit of the 2022/23 Statement of Accounts.

4.12 A copy of the 2022/23 audited Statement of Accounts is attached at appendix 1.

4.13 At the conclusion of the audit process, the Council is required to produce a letter of representation to the external auditor which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditor. The auditor will not sign off the Statement of Accounts until this letter has been received. It is now proposed that, in relation to the 2022/23 Statement of Accounts, the letter of representation is signed by the Executive Director of Finance and Transformation and the Chairman of the Audit and Risk Assurance Committee on behalf of the Council.

## 5 Alternative Options

5.1 The Council is required under statute to produce and publish its audited Statement of Accounts for each financial year. For the 2022/23 financial year, the statutory backstop deadline for publication of audited accounts is 13 December 2024. As such, there is no alternative option.

## 6 Implications

<b>Resources:</b>	This report considers the overall financial position of the local authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the authority, and the level of balances held.
<b>Legal and Governance:</b>	The Statement of Accounts is a statutory document. The Local Government Act 2003 (section 21) enables the Secretary of State to issue regulation on the preparation and publication of accounts for local authorities, which is fulfilled by the Accounts and Audit Regulations 2015 (as amended).
<b>Risk:</b>	Details of potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts, which has been subject to (limited) audit. The work of the external auditor has focussed primarily on areas of highest risk, in accordance with the auditor's audit plan.

<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.
<b>Social Value</b>	There are no direct social value implications from this report.
<b>Climate Change</b>	There are no direct climate change implications from this report.
<b>Corporate Parenting</b>	There are no direct corporate parenting implications from this report.

## **7. Appendices**

Appendix 1 – Sandwell Metropolitan Borough Council 2022/23  
Statement of Accounts

Appendix 2 - Grant Thornton's Audit Findings Report for Sandwell  
Metropolitan Borough Council – Year Ended 31 March 2023

Appendix 3 – Letter of Representation

## **8. Background Papers**

None