

Report to Audit and Risk Assurance Committee

20 February 2025

Subject:	Approval of the Council's Statement of Accounts for 2023/24
Director:	Alex Thompson Executive Director of Finance of Transformation
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1 Recommendations

- 1.1 That the Council's 2023/ 24 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 2023/24 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 Council Plan?

Growing Up in Sandwell	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. 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.
Living in Sandwell	
Thriving Economy in Sandwell	
Healthy in Sandwell	
One Council One Team	

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 draft Statements of Accounts for the years ending 31 March 2023 and 31 March 2024, the latter being presented to the external auditor, Grant Thornton, for audit of the document in December 2024, following completion of the partial audit of the 2022/23 Statement of Accounts. Grant Thornton were able to commence work on detailed audit testing of 2023/34 transactions and working papers in October 2024.
- 4.4 The Council is working to the government backstop deadlines for publishing final audited accounts for the 2022/23 and 2023/24 financial years. On the 9 September 2024, secondary legislation was put in place to amend the Accounts and Audit Regulations (2015) with a 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
- 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 December 2024 and 28 February 2025 backstop deadlines. Correspondingly, at its meeting on 18 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 audits of the 2022/23 and 2023/24 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 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 December 2024 and 28 February 2025 backstop deadlines.
- 4.7 Following completion of the partial audit of the 2022/23 accounts, the 2022/23 Statement of Accounts was published on 13 December 2024, in accordance with the backstop deadline. A partial audit has now taken

place on the Council's 2023/24 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".
- 4.10 Although Grant Thornton has been unable to reach a conclusion of their audit, as planned, their work has been focused on the areas that will impact the Council's usable reserves and working balances. Limitation of time, taking into account the Christmas break, has meant that Grant Thornton has carried out less work in relation to the 2023/24 accounts than they were able to undertake in relation to the 2022/23 accounts, however, work not completed in relation to 2023/24 will be undertaken as part of the testing of opening balances for the 2024/25 financial year. Following publication of the 2023/24 Statement of Accounts, there is a period of 12 months to complete assurance work on remaining 2023/24 transactions and carry out a full audit of the 2024/25 accounts before the next backstop deadline of 27 February 2026, which is the date whereby the final Statement of Accounts for 2024/25 must be published following completion of the audit of that year's accounts.
- 4.11 Grant Thornton has prepared a short-form Audit Findings Report following completion of the partial audit of the 2023/24 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 partial audit of the 2023/24 Statement of Accounts.
- 4.12 A copy of the 2023/24 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 2023/24 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 2023/24 financial year, the statutory backstop deadline for publication of audited accounts is 28 February 2025. As such, there is no alternative option.

6 Implications

Resources:	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 reserve balances held.
Legal and Governance:	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).
Risk:	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.
Equality:	It was not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

Climate Change	There are no direct climate change implications from this report.
Corporate Parenting	There are no direct corporate parenting implications from this report.

7. Appendices

Appendix 1 – Sandwell Metropolitan Borough Council 2023/24 Statement of Accounts.

Appendix 2 - Grant Thornton's Audit Findings Report for Sandwell Metropolitan Borough Council – Year Ended 31 March 2024.

Appendix 3 – Letter of Representation.

8. Background Papers

None.