

Approval of the 2021/22 Statement of Accounts and Grant Thornton Audit Report

Date: 18th March 2024

Report of: the Chief Finance Officer

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- Grant Thornton's audit of the 2021/22 accounts is nearing completion, and the final report of their findings is attached. The main points are that :
 - Subject to completion of their remaining audit work, Grant Thornton anticipate being able to issue an unqualified opinion on the 2021/22 Statement of Accounts,
 - There are expected to be no material unadjusted audit differences affecting the financial statements;
- An updated copy of the statement of accounts will be published with this report. The accounts will be certified by the Chief Finance Officer as a true and fair view of the Council's financial position as at 31st March 2022 prior to the Chair of the Committee being asked to approve them.
- The council has achieved the first audit backstop date of completing the 2021/22 audit by the 31st March 2024 deadline, thus allowing work to commence on the 2022/23 audit.

Recommendations

- a) Members are asked to receive the audit report of the Council's external auditors on the 2021/22 accounts and to note that there are expected to be no unadjusted audit differences to the accounts.
- b) Members are asked to consider the updated 2021/22 Statement of Accounts, and to approve these as the Council's final audited accounts for the year. The Committee is further asked to authorise the Chair to acknowledge this approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- c) On the basis of the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.

- d) Members are asked to note the progress made in achieving the first of the audit backstop dates of 31st March, and the continued work in place to achieve the second audit backstop date for the 2022/23 audit.

What is this report about?

- 1 At its meeting in July 2022, the Committee considered the unaudited 2021/22 Statement of Accounts, and they were subsequently made available for public inspection. Under this Committee's terms of reference, members are required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.
- 2 The main audit of the 2021/22 accounts commenced in early 2023, following the conclusion of the audit of the 2020/21 accounts. Grant Thornton's most recent interim audit report on the 2021/22 audit was presented to the committee in November 2023, at which point they estimated that the audit work was around 80% complete.
- 3 Grant Thornton's final audit report on the 2021/22 accounts is attached as Appendix 2 to this report.
- 4 Following the conclusion of the audit of the statement of accounts, Grant Thornton are required to audit the Council's WGA (Whole of Government Accounts) return. Once the WGA audit has been carried out, the overall 2021/22 audit will be closed.
- 5 At its meeting in February 2024, the Committee were presented with an audit progress report from Grant Thornton. This report included an update on the implications for the Council of the proposed 'Backstop' arrangements for completing outstanding audits, up to and including 2022/23. The council has now achieved the first of these backstop dates for 31st March, which will also allow it to continue making progress towards achieving the second backstop date in regard to the 2022/23 audit ie 30th September 2024.

What impact will this proposal have?

6 Post Balance Sheet Events and other significant amendments

- 6.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If any such events have happened then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit opinion.
- 6.2 As the draft accounts for 2021/22 were issued whilst the 2020/21 audit was ongoing, the prior year comparators included in the 2021/22 draft accounts were also draft in status. The prior year comparators in the final version of the 2021/22 accounts now reflect changes in the valuation basis of entertainment venues within property, plant and equipment assets which were made in the final audited 2020/21 accounts. These changes to asset values at 31st March 2021 have also affected the 2021/22 charges for depreciation, revaluations and impairment, and the closing asset values as at 31st March 2022. The overall impact of these changes was an increase in non-spendable reserves of £11.3m at 31st March 2022 in comparison to the draft 2021/22 accounts.
- 6.3 A number of other changes in respect of property, plant and equipment have been made in the final 2021/22 accounts :
 - i. Two property valuations which were not completed at the date the draft accounts were issued have been incorporated. These have increased the value of property, plant and equipment on the balance sheet by £11.7m.

- ii. Six schools with a total value of £98.9m which had transferred to academy status have now been accounted for as disposals.
 - iii. Corrections have been identified to a small number of asset valuations totalling a reduction of £17.2m, and clerical errors in inputting valuations resulting in an overstatement of £5.9m have also been corrected.
- 6.4 The overall impact of the property valuation changes described in 5.2 and 5.3 above has been to decrease the Council's non-spendable reserves at 31st March 2022 by £99m.
- 6.5 At the date of issue of the draft 2021/22 accounts, the results of the 31st March 2022 triennial actuarial review of the West Yorkshire Pension Fund (WYPF) were not yet available. Once the triennial review had been published, the Council commissioned an updated IAS19 pensions report for 2021/22 from WYPF's actuaries, and the final accounts reflect this position. The final net pensions liability also includes updated valuations for some of WYPF's assets, which had been valued on an estimated basis at the date that the Council's draft accounts were issued. The overall impact of these two updates was a reduction of £64.1m in the net pensions liability, and a corresponding increase in non-spendable reserves.
- 6.6 One change has been identified in relation to spendable reserves. The Council's DSG (Dedicated Schools Grant) position at the close of 2020/21 had been a £2m deficit, however the position by 31st March 2022 had returned to a net surplus of £0.1m and this had been included within earmarked reserves in the draft accounts. However as a result of statutory regulations which apply for a limited number of years, the position should have been reflected in the 2021/22 accounts as an unspendable negative reserve of £2.0m and a spendable reserve within earmarked reserves of £2.1m.
- 6.7 As outlined in paragraph 5.1 above, any post balance sheet events must be considered up until the accounts are approved. A verbal update will be provided at Committee to confirm the final position.

7 Public Inspection Queries, Questions to the Auditors and Objections

- 7.1 Under the statutory timescales for public inspection of the accounts, no formal objections or requests for additional information were received for the 2021/22 accounts.

8 Key External Audit findings

- 8.1 Grant Thornton provided an interim report on the bulk of their audit work on the 2021/22 accounts to this Committee at its meeting in November 2023. Their final ISA260 report for 2021/22 which is attached at Appendix 2 provides an update on their completed audit work.
- 8.2 Grant Thornton's report indicates that, subject to the satisfactory completion of their audit work, they anticipate being able to issue an unqualified audit opinion on the council's accounts.
- 8.3 Grant Thornton's final report includes a number recommendations, of which two were previously reported to the Committee in November 2023.
- 8.4 Conclusion of the 2021/22 audit means the Council has now achieved the first of the backstop dates proposed by Grant Thornton in its report to committee in February 2024. Achievement of this backstop date now means the audit of the 2022/23 accounts can now commence in April 2024. The Council continues to make good progress in preparation for this audit and expects to upload all requested working papers to Grant Thornton's Inflo system by the end of March 2024.

9 Management Representation letter

- 9.1 Local authority auditors are required by the Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory

procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give Grant Thornton these assurances. In respect of the 2021/22 accounts the proposed letter is attached as Appendix 1 to this report. The letter is being reviewed by officers and confirmation will be provided at the meeting of the Committee on whether the Chief Finance Officer has requested any amendments before signing the letter to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.

- 9.2 The Committee is asked to consider whether members are aware of any issues that they want to bring to the auditors' attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 10 The report relates to the council's underlying financial position rather than to any particular aspect of service delivery.

What consultation and engagement has taken place?

Wards affected: N/A

Have ward members been consulted? Yes No

- 11 The final Statement of Accounts and the Audit Report do not raise any issues requiring consultation or engagement with the public, ward members or Councillors

What are the resource implications?

- 12 Under the audit reporting arrangements for 2021/22 set out by the National Audit Office, the outcome of value for money audit work is to be reported separately from the audit of the statement of accounts. Grant Thornton reported the outcome of their value for money audit for 2021/22 to the March 2023 meeting of the Committee.

What are the key risks and how are they being managed?

- 13 Grant Thornton's audit report sets out the key risks that they identified in advance of their audit, and their findings in respect of these risks.

What are the legal implications?

- 14 The amended Accounts and Audit Regulations 2015 which are currently in force require the audited Statement of Accounts together with the final audit report to be published before the 30th November or, if this is not possible, as soon as practicable after receipt of the final auditor's report on the statement of accounts. However the Government is currently consulting on changes which would introduce a 'backstop date' of 30th September 2024 for all outstanding local authority audits up to and including the 2022/23 year.
- 15 Under this Committee's terms of reference, members are required to approve the Council's final audited Statement of Accounts and to consider any material amendments recommended by the auditors.

Options, timescales and measuring success

What other options were considered?

16 This report informs the Committee of the findings from Grant Thornton's audit for 2021/22.

How will success be measured?

17 Once the audit opinion has been received, the final audited accounts and the accompanying audit report will be published on the Council's website in accordance with the Regulations.

What is the timetable and who will be responsible for implementation?

18 The documents will be published as soon as is practical following receipt of the audit opinion.

Appendices

- Appendix 1 is the draft Management Representation letter to Grant Thornton, and Appendix 2 is Grant Thornton's updated Audit Findings Report.

Background papers

- None