

# Approval of the 2022/23 Statement of Accounts and Grant Thornton Audit Report

Date: 23<sup>rd</sup> September 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 2022/23 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 2022/23 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 31<sup>st</sup> March 2023 prior to the Chair of the Committee being asked to approve them.

## Recommendations

- a) Members are asked to receive the audit report of the Council's external auditors on the 2022/23 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 2022/23 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.

## What is this report about?

- 1 At its meeting in July 2023, the Committee considered the unaudited 2022/23 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 2022/23 accounts commenced in April 2024, following the conclusion of the audit of the 2021/22 accounts.
- 3 Grant Thornton's final audit report on the 2022/23 accounts is attached as Appendix 2 to this report.
- 4 Following the conclusion of the audit of the statement of accounts, Grant Thornton will be required to audit the Council's WGA (Whole of Government Accounts) return, unless they are formally notified by the government or the National Audit Office that this audit is no longer required. Once the WGA audit has been carried out or such a formal notification received by Grant Thornton, the overall 2022/23 audit will be closed.

## What impact will this proposal have?

### 5 Post Balance Sheet Events and other significant amendments

- 5.1 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.
- 5.2 As the draft accounts for 2022/23 were issued whilst the 2021/22 audit was ongoing, the prior year comparators included in the authorised 2022/23 draft accounts were also draft in status. The prior year comparators in the final version of the 2022/23 accounts now reflect changes in the values of property, plant and equipment and investment property assets which were made in the final audited 2021/22 accounts. These changes to asset values at 31<sup>st</sup> March 2022 have also affected the 2022/23 charges for depreciation, revaluations and impairment, and the closing asset values as at 31<sup>st</sup> March 2023. The overall impact of these changes was a reduction in non-spendable reserves of £75.6m at 31<sup>st</sup> March 2023 in comparison to the draft 2022/23 accounts.
- 5.3 The Council has identified a number of valuation updates and corrections in respect of land and property assets to be made in the final 2022/23 accounts. The overall impact of these property valuation changes described above has been to increase the Council's non-spendable reserves at 31<sup>st</sup> March 2023 by £22.9m.
- 5.4 The council has identified a correction to the accounting treatment and the recognition of an additional debtor due for grants claimed on the council's behalf by Migration Yorkshire which has resulted in an increase of £5.6m in earmarked revenue reserves (relating to grants received in advance of the related expenditure).
- 5.5 It was identified during the audit that £6.0m of expenditure on grant funded capital schemes had not been accrued for. This has been corrected in the final audited accounts, resulting in a reduction of £6.0m in usable capital reserves.
- 5.6 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.

## 6 Public Inspection Queries, Questions to the Auditors and Objections

6.1 Under the statutory timescales for public inspection of the accounts, no formal objections or requests for additional information were received for the 2022/23 accounts.

## 7 Key External Audit findings

7.1 Grant Thornton's report indicates that, subject to the satisfactory completion of their remaining audit work, they anticipate being able to issue an unqualified audit opinion on the council's accounts.

7.2 Grant Thornton's audit report includes two recommendations, relating to the identification of capital expenditure for accrual on multi-year capital schemes where invoices are delayed, and to investment property revaluations.

## 8 Management Representation letter

8.1 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 2022/23 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.

8.2 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

9 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

10 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?**

11 Under the audit reporting arrangements for 2022/23 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 2022/23 to the November 2023 meeting of the Committee.

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

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

## **What are the legal implications?**

13 The Accounts and Audit Regulations 2015 have recently been amended to introduce statutory dates by which local authorities must publish their final accounts, whether or not the audit has been completed. The statutory deadline for accounts for financial years up to and including 2022/23 is 13<sup>th</sup> December 2024. Where an audit is incomplete, auditors would be required to provide an appropriate modified audit opinion for publication by this date. However, as the 2022/23 audit is now nearing completion, the Council expects to be able to publish its final audited accounts before this deadline.

14 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?**

15 This report informs the Committee of the findings from Grant Thornton's audit for 2022/23.

### **How will success be measured?**

16 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?**

17 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 Audit Findings Report.

## **Background papers**

- None