

## Approval of the 2020/21 Statement of Accounts and Grant Thornton Audit Report

Date: 4<sup>th</sup> February 2022

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

### What is this report about?

- Grant Thornton's audit of the final accounts is nearing completion, and a 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 2020/21 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 2021 prior to the Chair of the Committee being asked to certify them.

### Recommendations

- a) Members are asked to receive the audit report of the Council's external auditors on the 2020/21 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 2020/21 Statement of Accounts, and to approve these as the Council's final audited accounts subject to no issues requiring further material adjustment arising as a result of Grant Thornton's remaining audit work. The Committee is further asked to authorise the Chair to approve any additional non-material amendments which may be recommended by the Chief Finance Officer, and, once the audit is complete, 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) Members are asked to note that, should any material adjustments arise as a result of Grant Thornton's remaining audit work, a final version of the Statement of Accounts will be presented for approval at the next meeting of the Committee, prior to their publication.
- d) 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.

## Why is the proposal being put forward?

- 1 At its meeting in July, the Committee considered the unaudited 2020/21 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.

## What impact will this proposal have?

### Wards Affected:

Have ward members been consulted?  Yes  No

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

- 2.1 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 such events have occurred 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.
- 2.2 As at the 27<sup>th</sup> January a small number of corrections and post balance sheet events have been identified which are sufficiently material to require an adjustment to be made to the final accounts.
- 2.3 Reductions of £18.5m have been recognised in the value of property, plant and equipment. This includes a £16.5m reduction due to an error in the valuation of one asset, and a small number of clerical errors in recording asset valuations.
- 2.4 The council has been advised by the West Yorkshire Pension Fund of amendments to the overall value of the pension fund's assets, which will have a material impact on the net pensions liability shown within the council's accounts. A final actuarial valuation of this is awaited. The council has also requested an updated calculation of the impact of early retirements during 2020/21 on its pension figures, using more detailed data than was available at the time that the actuarial calculation used in the draft accounts was produced. The latest version of the accounts which are to be circulated with this report incorporate the council's best estimate of the impact of these two issues, an increase in the pensions assets of £32.5m and an increase in the pensions liabilities of £16.1m, resulting in a net reduction of £16.4m in the net pensions liability.
- 2.5 The overall impact of the above amendments is a reduction in the council's net worth of £2.1m, with no change to its spendable reserves.
- 2.6 As outlined in paragraph 2.1 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.

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

- 3.1 Under the statutory timescales for public inspection of the accounts, no formal objections or requests for additional information were received for the 2020/21 accounts.

### 4 Key External Audit findings

- 4.1 Grant Thornton have provided a working draft audit report giving their audit findings to date, and they have noted within this report where audit work is still to be completed. Their report is attached as Appendix 2.
- 4.2 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.
- 4.3 Grant Thornton have made four medium priority recommendations in relation to their audit of the statement of accounts, and a number of further recommendations in relation to their IT audit of controls in place for the council's key financial systems.

## 5 Management Representation letter

- 5.1 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 such assurances. In respect of the 2020/21 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.
- 5.2 The Committee is asked to consider whether members are aware of any issues 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.

## **What consultation and engagement has taken place?**

- 6 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?**

- 7 Under the audit reporting arrangements for 2020/21 set out by the National Audit Office, the outcome of value for money audit work is to be reported separately, and within three months of the conclusion of the audit of the statement of accounts. Grant Thornton will report on this aspect of their 2020/21 audit work to a subsequent meeting of the Committee.

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

- 8 The amended Accounts and Audit Regulations 2015 require the audited Statement of Accounts together with the final audit report to be published before the 30<sup>th</sup> November or, if this is not possible, as soon as practicable after receipt of the final auditor's report on the statement of accounts.
- 9 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.
- 10 In the event that Grant Thornton's remaining audit work identifies any issues which require further material amendments to the Statement of Accounts, the Committee would be asked

to review and approve a revised Statement of Accounts at its March meeting, prior to their publication.

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

- 11 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.

### **Does this proposal support the council's 3 Key Pillars?**

Inclusive Growth       Health and Wellbeing       Climate Emergency

- 12 The report relates to the council's underlying financial governance arrangements rather than to any specific aspect of service delivery.

### **Options, timescales and measuring success**

#### **a) What other options were considered?**

- 13 This report informs the Committee of the findings from Grant Thornton's audit for 2020/21.

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

- 14 Grant Thornton's audit report states that, subject to completion of their audit work, they anticipate being able to issue an unqualified opinion on the Council's 2020/21 Statement of Accounts.

#### **c) What is the timetable for implementation?**

- 15 Grant Thornton aim to complete their outstanding audit work on the statement of accounts by the end of February.

### **Appendices**

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

### **Background papers**

- 17 None.

