

Meeting **AUDIT COMMITTEE/STATEMENT OF ACCOUNTS COMMITTEE**

Portfolio Area: Resources and Transformation

Date: **27 November 2024**



2021/22 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT and 2022/23 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

NON-KEY DECISION

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1 PURPOSE

- 1.1 To provide an update on the process of finalising the 2021/22 and 2022/23 Statements of Accounts, including the Annual Governance Statements. The report recommends that committees receives the 2021/22 and 2022/23 Statements of Accounts and authorises the Chief Financial Officer (CFO) after consultation with the Chair of Audit Committee/Statement of Accounts Committee to approve the accounts following the conclusion of the audit
- 1.2 The report also recommends that that committee approves the 2021/22 and 2022/23 Annual Governance Statements which form part of the statement of accounts, and authorises the CFO, after consultation with the Chair of Audit Committee/Statement of Accounts Committee, to sign the letters of representation required as part of the 2021/22 and 2022/23 external audit process.

2 RECOMMENDATIONS

- 2.1 To note the report
- 2.1 To receive the 2021/2022 and 2022/23 Statement of Accounts for Stevenage BC and to authorise the CFO in consultation with the Chair of Audit Committee/Statement of Accounts Committee to approve the accounts following the conclusion of the external audit,

- 2.2 To approve the 2021/22 and 2022/23 Annual Governance Statements, which form part of the statement of accounts, and
- 2.3 To authorise the CFO, after consultation with the Chair of Audit Committee, to sign the letters of representation required as part of the 2021/22 and 2022/23 external audit process.

3 BACKGROUND

- 3.1.1 As previously reported to this committee, nationally there is a significant backlog of outstanding audit opinions for English local authorities Statements of Accounts. For Stevenage, all Statements of Accounts up to and including 2020/21 have been audited and published, leaving 2021/22, 2022/23 and 2023/24 audits outstanding.
- 3.1.2 Following on from earlier consultations on the governments plans to bring local authority audits up to date, on 30 July 2024, the Minister of State for Housing, Communities and Local Government wrote to all councils advising that, following the consultation:

“I intend to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23”.
- 3.1.3 As noted in the letter from the Minister “due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance”.
- 3.1.4 In respect of “disclaimed” audit opinions, the Minister’s letter states: “The Ministry will continue to work with the Financial Reporting Council (FRC) and other key organisations across the local audit sector to support local bodies, auditors and the wider world to understand what the different types of modified opinions mean. As I set out in my statement, local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face. The Government will communicate the necessity of these steps and emphasise the context for modified or disclaimed opinions”.
- 3.1.5 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's results reports produced by the Council's outgoing External Auditors, Ernst & Young is shown at appendix 3 and 7.

- 3.1.6 The **Annual Governance Statements** are shown as separate document and included at Appendix 4 and 8 to this report. This Committee is required to approve the SOA and the Annual Governance Statements for each year.
- 3.1.7 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix 1 and 5 to follow on after completion of the audit).

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Statement of Accounts 2021/22

- 4.1.1 The Statement of Accounts is Appendix 2 to this report and is required to be signed off by Full Council or a committee delegated to do so such as the Statement of Accounts Committee.
- 4.1.2 Following the publication of the draft accounts and the audit there was no change to the General Fund or the HRA balance reported to executive in July 2022.

4.2 Statement of Accounts 2022/23

- 4.2.1 The Statement of Accounts is Appendix 6 to this report and is required to be signed off by Full Council or a committee delegated to do so such as the Statement of Accounts Committee.
- 4.2.2 Following the publication of the draft accounts and the audit there was no change to the General Fund or the HRA balance reported to executive in July 2023.
- 4.2.3 Following publication of the draft accounts and a review of asset valuations a change to the latter has been updated and included in the final SOA. An updated General Fund depreciation charge has also been processed as a result of an asset reclassification, however depreciation is not a charge to the General Fund (unlike the HRA) and is reversed out and has not impact on cash balances.

The changes are summarised in the table below.

Movement SOA	CIES ¹ £000	Balance Sheet £000
Draft SOA	(67,551)	693,185
Update to asset valuation (Error! Reference source not found.)	1,876	(1,876)
Depreciation on asset reclassified as Plant and Equipment (4.2.5)	111	(111)
Change	1,987	(1,987)
Final SOA	(65,564)	691,198

4.2.4 The changes relate to :

- A property asset was incorrectly valued using the details of another similar asset. The valuation has now been corrected resulting in a reduction of £1.9Million to property, plant and equipment (PPE).
- A CCTV asset was reclassified from land and buildings to plant and equipment, resulting in a depreciation charge in 2022/23 of £111k.

4.3 External Auditor's Conclusion

4.3.1 As the Council's appointed Auditor, Ernst & Young LLP is required to review and report on the Council's financial statements and provide a value for money conclusion. Their draft findings and ISA 260 report are included at Appendix 1 and 4.

4.3.2 At the time of writing the report the audit had not been concluded so final minor amendments are recommended to be delegated to the Chief Finance Officer following consultation with the Chair of Audit Committee/Statement of Accounts Committee. The Council's auditors will be present at the Statement of Accounts meeting to update Members on the works outstanding.

4.3.3 At the time the time of writing the report, no objections were received by electors to the 2021/22 accounts or the 2022/23 accounts.

4.3.4 No requests were received for any further details on the Council's financial records.

5 IMPLICATIONS

5.1 Financial Implications

5.2 There are no direct financial implications arising from this report.

5.3 Legal Implications

5.3.1 Approval of the accounts by committee fulfils the requirements of the Accounts and Audit recommendations (2015).

BACKGROUND PAPERS

- Local Audit Backlog - Statement by Jim McMahon (MHCLG) 30 July 2024 - [found here](#)

APPENDICES

- Appendix 1 – Annual Results Report including Draft Letter of Representation 2021/22 (to follow)
- Appendix 2 – Statement of Accounts 2021/22
- Appendix 3 – Annual Governance Statement 2021/22

- Appendix 4 – Annual Results Report including Draft Letter of Representation 2022/23 (to follow)
- Appendix 5 – Statement of Accounts 2022/23
- Appendix 6 – Annual Governance Statement 2022/23